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 securities markets to ensure smooth trading, clearing and settlement. During the quarter, the city's exchanges and brokers maintained smooth operations and robust risk management. Overall markets remained resilient and no irregularities were observed even under changing market conditions. This was the case when the Hong Kong stock market corrected on profit-taking activities after hitting a four-year high in early October. Trading stayed active during the quarter, with average daily turnover of $229.8 billion.

For full-year 2025, the Hong Kong market showed resilient growth as the Hang Seng Index rose 27.8% and outperformed most major overseas markets. Average daily turnover increased 89.5% to $249.8 billion in 2025.

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. With our approval, HKEX extended its enhanced default fund sizing methodology from the cash market and futures market to the stock options market from December onwards, ensuring all three on-exchange clearing houses can cover a simultaneous failure of their two largest clearing participants. This strengthens their financial resilience against defaults.

We also commenced an on-site inspection of HKEX's operational resilience and risk management framework in 2025 as part of our ongoing supervision.

Inspections of licensed corporations

	Quarter ended 31.12.2025	Nine months ended 31.12.2025	Nine months ended 31.12.2024	YoY change (%)
On-site inspections commenced	**49**	167	191	-12.6

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 49 on-site inspections in the quarter.

During the quarter, the SFC and the Stock Exchange of Hong Kong Limited (SEHK) issued a joint letter to sponsors expressing concerns over the declining quality of recent new listing applications and certain substandard behaviours observed. The letter also reminded them that potential regulatory actions may be taken to uphold market quality and protect the investing public if such substandard behaviours persist or worsen[1].

We issued a circular in November to urge licensed firms to detect and prevent layering activities in money laundering through the implementation of effective anti-money laundering and counter-financing of terrorism (AML/CFT) measures. We reiterated our expected robust standards and highlighted a rising trend in which bad actors exploit licensed firms for layering activities to obscure the fund flow of illicit proceeds.

In addition, we organised two AML/CFT webinars in November for over 1,650 senior management and compliance personnel from LCs to share our supervisory observations and regulatory responses concerning the securities and virtual asset sectors in Hong Kong.



Combatting suspicious activities and investment scams

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 suspected entities.

During the quarter, the SFC added eight suspicious VATPs onto our Alert List to caution the public against unlicensed or suspicious VATPs. One of them is an unlicensed entity which falsely claimed to be a platform jointly established by HKEX, SEHK and the Hong Kong Futures Exchange Limited.

We also cautioned the public against 28 suspicious investment products by posting related information on our Suspicious Investment Products Alert List and issuing social media posts.

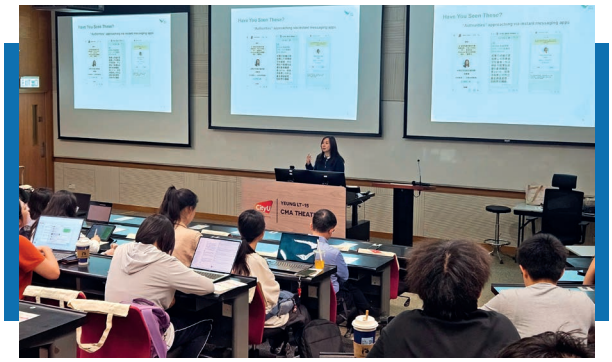
1 After the reporting period, we issued a circular in January 2026 setting out our expectations of sponsors regarding their obligations in the quality of listing documents and the immediate remedial actions expected.

Maintaining market resilience and mitigating serious harm to our markets

In October, we held the inauguration ceremony of the Virtual Asset Intelligence Taskforce (VAIT), which was attended by over 200 participants from the Government, regulators, law enforcement agencies, and virtual asset and Web3 service providers. The VAIT is a private-public partnership platform for intelligence exchange and operational collaboration to strengthen the detection, prevention and disruption of virtual asset-related crimes and associated cybersecurity threats, supporting a safe and compliant virtual asset ecosystem in Hong Kong.

Stepping up anti-scam investor education

To raise anti-scam awareness, we shared tips to avoid falling prey to investment scams with students at the City University of Hong Kong in October, and with the elderly at a community centre in November. About 130 participants attended these talks.





Talks on investment scams for university students and senior citizens

As part of our "Don't be Sucker"（咪做水魚）campaign, we participated in the Police's Anti-Crime Elite Games 2025 in October to raise anti-scam awareness among the general public through educational games and giveaways. Besides, we launched MTR advertisements from November to December featuring the SFC's anti-scam character Shui Yu ("水魚" in Cantonese) to alert against common investment scam tactics.



Shui Yu-themed educational game booths at anti-crime carnival

In addition, we collaborated with the Hong Kong Investment Funds Association (HKIFA) to launch an animated short clip in November to caution members of the public against the impersonation of fund managers and suspicious investment schemes.



Commission Secretary and Chief Governance Officer Mr Paul Yeung (right) and HKIFA's Chairman Mr Sam Yu (left) promoted the animation "Corgi's Scoop", featuring the two organisations' respective educational characters Shui Yu and Corgi

Combatting misconduct of all forms

We fined three licensed corporations for a total of $19.75 million. We disciplined five individuals by suspending their licences or prohibiting them from re-entering the industry for periods ranging from 3.5 months to life.

During the quarter, we initiated 21 new enquiries into listed company affairs under section 179[2] of the Securities and Futures Ordinance (SFO), and 46 new investigations into different forms of misconduct under section 182[3] 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 seven cases, we issued section 179 directions to gather additional information during the quarter. In addition, we conveyed our concerns to a listed company about the valuation of its proposed acquisition in one case.

Counteracting insider dealing and market manipulation

During the quarter, we sought interim orders from the Court of First Instance (CFI) to freeze assets intended for compensation to affected investors in alleged market manipulation cases involving the shares of:

- Smartac International Holdings Limited, by restraining 11 suspected manipulators from disposing of their assets in Hong Kong up to $82.4 million and one suspected manipulator from disposing of his assets in Hong Kong up to the value of assets in three accounts frozen by restrictive notices; and

- Eggriculture Foods Limited, by restraining one of the five defendants in the related criminal proceedings from disposing of assets up to $62.6 million.

We secured the convictions of the following individuals:

- Choi Chun Wai, former Vice President of Computershare Hong Kong Investor Services Limited (Computershare), was sentenced to two months of imprisonment after the Court found him guilty of insider dealing in the shares of ENM Holdings Limited (ENM). Choi received inside information about ENM's privatisation and sold all his ENM shares in 2023, ahead of ENM's announcement of the lapse of the privatisation. Choi thereby avoided a loss of around $289,500, and the Court ordered an equivalent amount to be paid as a fine; and

- Wong Yuk Lan, former Administration Controller of China All Access (Holdings) Limited (China All Access), was sentenced to eight months of imprisonment after the Court found her guilty of false trading in the company's shares. Wong, the "*de facto wife*" of Chan Yuen Ming, Chairman of China All Access, placed a series of bid orders for the company's shares in 2014 at prices above the prevailing market levels. The Court found that Wong wanted to create a false or misleading appearance of demand for the shares in order to alleviate the margin call pressure on Chan's China All Access shares.

Ongoing proceedings:

- The criminal trial of the insider dealing prosecution against businessman Wong Pak Ming continued at the Eastern Magistrates' Courts and he pleaded not guilty. Wong allegedly counselled or procured another person to deal in the shares of Pegasus Entertainment Holdings Limited in 2017 while he was the company's Chairman and controlling shareholder, having information which he knew was inside information on the company. The trial was adjourned to February 2026 for oral closing submissions.

2 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.
3 Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance, and disciplinary misconduct.

Tackling corporate fraud and related misfeasance

We directed SEHK to suspend dealings in the shares of Dashan Education Holdings Limited (Dashan) under the Securities and Futures (Stock Market Listing) Rules in December, to maintain a fair and orderly market, and protect the interests of the investing public. During our investigation, we uncovered material discrepancies between bank statements submitted by Dashan and those we obtained independently. We also discovered material overstatements of bank balances in Dashan's financial statements. These issues raised serious concerns about the integrity of Dashan's management.

We obtained an order (by consent) from the CFI to freeze more than $101 million in cash in the personal bank account of Ng Kwok Fai, a suspected shadow director of Teamway International Group Holdings Limited (Teamway), in legal proceedings under section 214[4] of the SFO. We found that Ng and another individual Yang Zhihui, as shadow directors of Teamway, engineered a series of transactions that prejudiced the interests of Teamway. We are seeking disqualification and compensation orders against Ng, Yang and 10 other former directors of the company for $532 million in losses incurred.

We are seeking disqualification orders against three former directors of China Longevity Group Company Limited (China Longevity) in legal proceedings under section 214 of the SFO. Our investigation revealed overstatements of China Longevity's cash and cash equivalents balances by about RMB198.9 million and RMB302.4 million in 2011 and 2012 respectively. The former directors had allowed or caused the company to overstate its cash and cash equivalents and hence its net assets in its financial statements.

Acting against intermediary misconduct

We reprimanded and fined:

- UBS AG $8 million for deficiencies in its internal systems and controls, resulting in the firm's failure to ensure accurate classification of professional investors (PIs) for over 12 years. Our investigation revealed that UBS incorrectly classified 560 joint accounts as PI accounts, and around 100 of them had subscribed to services or products restricted to PIs;

- EFG Bank AG (EFG) $10.85 million for failures relating to product due diligence, record-keeping and late reporting between 2015 and 2020. EFG had failed to take into account the special features of 322 bonds and update its internal policies in a timely way to reflect regulatory changes. It had also failed to provide customers with sufficient information and warning statements relating to certain complex products. Further, EFG had failed to keep product due diligence records for 141 bonds; and

- Tung Tai Securities Company Limited (Tung Tai) $900,000 for failures relating to unauthorised sales of client securities and transfers of client funds. In 2019 and 2020, Tung Tai, acting on instructions from a bogus email address similar to that of an overseas client, sold shares in the client's account and transferred the sale proceeds of US$3.3 million to three overseas bank accounts that were not designated by the client. It failed to establish effective internal control procedures to protect client assets.

4 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.

Other disciplinary actions

Entity	Breach	Action/Fine
Joey Lo Wai Hon	Failure to properly manage credit risks, and to identify and report suspicious trading patterns of clients	Suspended for four months
Cheng Lai Ho	Maintenance of secret accounts	Banned from re-entering the industry for seven months
Tang Wai Choi	Unauthorised transactions in client account	Suspended for seven months
Loretta Lee Si Kar	Neglect of duties resulting in failures relating to unauthorised sales of client securities and transfers of client funds	Suspended for three months and two weeks
Cheung Ngai Yi	Criminal conviction for stealing client assets totalling $1.53 million	Banned from re-entering the industry for life

Collaboration with law enforcement agencies and other regulators

In November, 16 suspects involved in the JPEX case were charged with, among others, conspiracy to defraud, fraud, and fraudulently or recklessly inducing others to invest in virtual assets. We have been working closely with the Police on this case over the past two years and will continue to provide assistance for the prosecutions.

We collaborated with SEHK in an enforcement action that led to a disciplinary action against Lu Qingxing, former non-executive director, and his son Lyu Zhufeng, former executive director of Universal Star (Holdings) Limited (Universal Star), for failing to procure the disclosure of material information in the company's prospectus. Our investigation found that the pair failed to disclose 13 outstanding loans involving a subsidiary of Universal Star totalling RMB49 million to the sponsor or the other directors of the company during its listing application in 2019.

Other notable cases

We secured the first custodial sentence against a finfluencer Chau Pak Yin for provision of paid investment advice on a social media chat group without a licence. Chau was sentenced to six weeks' imprisonment. In 2021, Chau hosted a chat group on Telegram named "Futu 真。財自 Private Group" where he circulated commentaries and recommendations on securities. He charged subscribers a monthly fee of US$200 (or $1,560) and earned $43,680.

Following our legal proceedings against AMTD Global Markets Limited (AMTD; now known as oOo Securities (HK) Group Limited) for failing to comply with statutory notices issued, the CFI in October ordered AMTD to produce the outstanding records required under the notices by mid-January 2026. Additionally, the Court ruled that AMTD should be penalised for contempt of court for its past non-compliance with the notices.

We commenced criminal proceedings at the Eastern Magistrates' Courts against Chan Hoi Shing and Li Po Ching for employing a fraudulent scheme involving illegal short selling in the shares of 28 Hong Kong-listed companies, in contravention of section 300[5] of the SFO. In 2020, they falsely represented that Chan held sufficient shares in the 28 companies to support sell orders placed through Chan's securities account when in fact he did not. Consequently, they illegally short sold these companies' shares and made a profit of around $11 million. The Court adjourned the case to March 2026.

5 Under section 300 of the SFO, it is an offence to engage in any act, practice or course of business which is fraudulent or deceptive in a transaction involving securities.

Maintaining market resilience and mitigating serious harm to our markets

In October, the High Court convicted Wong Ming Chun, former financial controller and company secretary of Hua Han Health Industry Holdings Limited (Hua Han), of two counts of money laundering charges in relation to the misappropriation of Hua Han's funds, and sentenced him to seven years and eight months' imprisonment. Subsequently, we withdrew restriction notices that prohibited three brokers from disposing of or dealing with proceeds or assets in their client accounts into which part of the misappropriated proceeds in question were deposited, thereby enabling the return of such restricted assets to affected parties.

Enforcement activities

	Quarter ended 31.12.2025	Nine months ended 31.12.2025[g]	Nine months ended 31.12.2024	YoY change (%)
S179[a] inquiries commenced	**21**	57	28	103.6
S181[b] inquiries commenced (number of letters sent)	**33 (999)**	122 (3,760)	119 (3,868)	-2.8
S182[c] directions issued	**46**	180	167	7.8
Investigations started	**51**	193	166	16.3
Investigations completed	**77**	200	154	29.9
Individuals and corporations charged in criminal proceedings	**2**	5	5	0.0
Criminal charges laid	**10**	69	13	430.8
Notices of Proposed Disciplinary Action[d] issued	**8**	24	20	20.0
Notices of Decision[e] issued	**7**	33	22	50.0
Individuals and corporations subject to ongoing civil proceedings[f]	**238**	238	275	-13.5
Compliance advice letters issued	**84**	234	136	72.1
Cases with search warrants executed	**6**	34	35	-2.9

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.
g Figures have been adjusted for the period.

Bolstering surveillance and cross-boundary enforcement cooperation

Our surveillance of untoward price and turnover movements resulted in 999 requests for trading and account records from intermediaries during the quarter. In addition, we received and assessed 131 notifications from intermediaries regarding suspicious equity and derivative trading.

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

We issued restriction notices to two brokers, prohibiting them from dealing with, or processing any withdrawals or transfers of assets held in the accounts ultimately owned by a board member of a listed corporation who is suspected of misconduct and a breach of duties to the listed corporation. Issuing the notices was considered necessary to ensure that funds would be available to meet any potential Court order, and desirable in the interest of the investing public or in the public interest.

Enhancing investigatory toolkit with cryptech

As part of Pillar I (Infrastructure) of the **ASPIRe** roadmap for a resilient virtual asset ecosystem, we are developing a virtual asset trade surveillance system that will enhance the SFC's capabilities in monitoring trading activities on licensed VATPs. We issued an open tender and invited prospective vendors to take part in the initiative.

Enforcement collaboration with the Mainland

We held a two-day joint enforcement training with the China Securities Regulatory Commission in November, which was attended by over 140 enforcement officers. The training covered a wide range of topics, including market surveillance, case sharing on market manipulation, intermediary and listed company misconduct, cross-border enforcement cooperation, and the use of technology in enforcement. The training allowed officers to exchange practical experiences and strengthen collaboration between the two regulators.

Enhancing regulatory regimes

Enhancing ongoing public float requirements

We have worked closely with SEHK to review the open market requirements. Following our approval, SEHK published the consultation conclusions in December on proposals relating to ongoing public float requirements, which aim to allow issuers to better manage capital, whilst ensuring market transparency and continuous orderly trading. The new rules took effect on 1 January 2026.

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. A public consultation on the proposed framework was launched in September, and closed in December. The initiative aims to advance investor protection by strengthening mechanisms for detecting and mitigating market misconduct in the exchange-traded derivatives market.