

Intermediaries

Licence applications

As at 30 September, the number of licensees and registrants totalled 47,048, of which 3,122 were licensed corporations.

In the quarter, we received 1,538 licence applications¹ including 54 corporate applications.

Anti-money laundering

In September, we launched a consultation on proposals to amend our anti-money laundering and counter-financing of terrorism (AML/CFT) guidelines to align with international standards and provide guidance to the securities industry on applying AML/CFT measures in a more risk-sensitive manner. Amendments would help mitigate risks associated with business arrangements such as cross-border correspondent relationships. The proposals also address some areas for enhancement identified in the latest *Mutual Evaluation Report of Hong Kong* published by the Financial Action Task Force in September 2019.

Climate-related risks in funds

In October, we began a public consultation on proposed requirements for fund managers to take climate-related risks into consideration in their investment and risk management processes and provide investors with appropriate disclosures. We proposed amending the Fund Manager Code of Conduct to provide high-level principles and issuing a circular to the industry to set out our expected baseline requirements and enhanced standards to facilitate fund managers' compliance.

US sanctions

We issued a press release in August informing the public that we are closely monitoring the potential impact on intermediaries' operations, as well as on investors' interests and the financial stability and orderliness of the markets in Hong Kong, of US sanctions against individuals in Hong Kong and mainland China. We also explained our expectations of intermediaries when considering the implications of the sanctions. For instance, they should carefully assess any legal, business and commercial risks to which they may be exposed and ensure that any response to the sanctions should be necessary, fair, and have regard to the best interests of their clients and the integrity of the market.

Licensees and registrants

| | As at 30.9.2020 | As at 31.3.2020 | Change (%) | As at 30.9.2019 | YoY change (%) |
|-------------------------|--------------------|--------------------|---------------|--------------------|----------------------|
| Licensed corporations | 3,122 | 3,109 | 0.4 | 3,048 | 2.4 |
| Registered institutions | 113 | 112 | 0.9 | 115 | -1.7 |
| Licensed individuals | 43,813 | 43,946 | -0.3 | 44,472 | -1.5 |
| Total | 47,048 | 47,167 | -0.3 | 47,635 | -1.2 |

Licensing applications

| | Quarter ended 30.9.2020 | Six months ended 30.9.2020 | Six months ended 30.9.2019 | YoY change (%) |
|--|-------------------------------|----------------------------------|----------------------------------|----------------------|
| Applications to conduct new regulated activity | 5,159 | 8,650 | 11,496 | -24.8 |
| Applications for SFC licences [^] | 1,538 | 2,581 | 3,816 | -32.4 |

[^] Figures do not include applications for provisional licences. During the quarter, we received 1,030 provisional licence applications compared with 1,182 in the same quarter last year.

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

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Cybersecurity risks

A report we issued in September summarised the findings of our recent thematic review of licensed corporations which engage in internet trading business in Hong Kong and provided guidance on our expected standards for cybersecurity. The report also highlighted good industry practices for improving internet trading systems and controls.

Clients' trade documents

A 29 September circular updated our guidance on providing trade documents to clients by access through intermediaries' websites. For the purposes of complying with the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules, this method of providing documents should be subject to clients' consent and operational safeguards. Intermediaries have one year from the date of the circular to comply with the extension of the minimum online retrieval periods to two years for monthly statements of account and three months for other required documents.

Intermediary inspections

| | Quarter ended 30.9.2020 | Six months ended 30.9.2020 | Six months ended 30.9.2019 | YoY change (%) |
|-------------------------------|----------------------------|-------------------------------|-------------------------------|----------------|
| On-site inspections conducted | 80 | 154 | 188 | -18.1 |

Corporate professional investors

Also in September, we updated frequently asked questions (FAQs) and issued a circular to provide guidance on assessing corporate professional investors, particularly investment vehicles owned by family trusts or offices and managed by professionals. The FAQs provide practical guidance on how to assess the criteria for an intermediary to be exempted from some Code of Conduct² requirements when dealing with a corporate professional investor.

Family offices

Further to our January 2020 circular on the licensing obligations of family offices, we published FAQs in September to provide additional guidance on the implications of the licensing regime under the Securities and Futures Ordinance for both single- and multi-family offices.

² The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.