

# Intermediaries

## Licence applications

As at 31 December 2020, the number of licensees and registrants totalled 47,217, of which 3,122 were licensed corporations.

In the quarter, we received 1,333 licence applications<sup>1</sup> including 55 corporate applications.

## Competency framework

In December, we consulted the public on our proposed enhancements to the competency framework, including updating the entry requirements for licence applicants as well as the ongoing competency standards for individual practitioners.

Key proposals include raising the minimum academic qualification requirements, recognising a broader range of qualifications, allowing applicants more flexibility to meet the industry qualification and regulatory examination requirements and enhancing the continuous professional training requirements. To address our concerns about the quality of work performed by some financial advisers on matters regulated by the Codes on Takeovers and Mergers and Share Buy-backs, competence requirements would be upgraded for individuals who are to advise on these matters.

## New electronic licensing services

In December, we previewed new electronic licensing functions on our online submission platform, WINGS. The new online features include web-based licensing forms with auto-fill and skip logic features and pre-set validation rules to reduce errors as well as electronic signatures. These functions provide greater convenience for the industry, allow us to better integrate our front-loaded, risk-based approach into our licensing work and pave the way for a fully-digitalised licensing process which we plan to launch in mid-2021.

## Climate-related risks in funds

In October, we launched a consultation on proposed amendments to the Fund Manager Code of Conduct requiring fund managers to take climate-related risks into consideration in their investment and risk management processes and make appropriate disclosures to investors.

## Virtual asset trading platforms

In November, the Financial Services and the Treasury Bureau launched a public consultation proposing a new legislative framework under which we would regulate all centralised virtual asset (VA) exchanges, including those which only trade types of VAs which currently fall outside our jurisdiction.

Separately, we granted the first licence to a VA trading platform in Hong Kong, which will only serve professional investors.

## Anti-money laundering

In December, we issued a circular and held two webinars to share the findings of our inspections of anti-money laundering and counter-financing of terrorism (AML/CFT) controls and compliance practices. We highlighted several areas where firms should give priority, including the roles and responsibilities of their senior management in effectively managing AML/CFT risks and ensuring regulatory compliance. The webinars were attended by around 1,400 people from licensed corporations.

## Suitability obligations and requirements for complex products

In December, we issued a circular and updated two sets of frequently asked questions (FAQs) to provide guidance to the industry on how to conduct suitability assessments, explain product risks to clients with different degrees of financial sophistication and comply with paragraph 5.5 of the Code of Conduct<sup>2</sup>.

## External electronic data storage

We published FAQs in December to provide additional guidance on alternative means to satisfy the requirements of our October 2019 circular on the use of external electronic data storage. Corresponding changes to the FAQs on the premises for business and record keeping were also made.

<sup>1</sup> The figure does not include applications for provisional licences. See the table on licensing applications on page 7 for details.

<sup>2</sup> Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

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### Licenses and registrants

	As at 31.12.2020	As at 31.3.2020	Change (%)	As at 31.12.2019	YoY change (%)
Licensed corporations	3,122	3,109	0.4	3,084	1.2
Registered institutions	112	112	0	114	-1.8
Licensed individuals	43,983	43,946	0.1	44,239	-0.6
<b>Total</b>	<b>47,217</b>	<b>47,167</b>	<b>0.1</b>	<b>47,437</b>	<b>-0.5</b>

### Licensing applications

	Quarter ended 31.12.2020	Nine months ended 31.12.2020	Nine months ended 31.12.2019	YoY change (%)
Applications to conduct new regulated activity	4,653	13,303	15,848	-16.1
Applications for SFC licences <sup>^</sup>	1,333	3,914	5,315	-26.4

<sup>^</sup> Figures do not include applications for provisional licences. During the quarter, we received 880 provisional licence applications compared with 788 in the same quarter last year.

### Intermediary inspections

	Quarter ended 31.12.2020	Quarter ended 30.9.2020	Change (%)	Quarter ended 31.12.2019	YoY change (%)
On-site inspections conducted <sup>^</sup>	74	80	-7.5	76	-2.6

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