

Intermediaries

Licence applications

In the quarter, we received 2,060 licence applications¹, up 17.3% from the last quarter and down 12.5% year-on-year. The number of corporate applications increased 10.6% from the last quarter to 73, down 14.1% year-on-year.

As at 30 September 2019, the number of licensees and registrants totalled 47,635, up 3.4% from last year, and the number of licensed corporations grew 7.2% to 3,048. Both were record highs.

Data standards for order life cycles

To facilitate our use of new technology to better supervise securities brokers' trading behaviour, we issued a circular in July to set out standards for the minimum content and presentation format of trading data to be submitted to the SFC upon request. Initially, only securities listed on The Stock Exchange of Hong Kong Limited (SEHK) and brokers whose trading turnover in a calendar year reaches or exceeds 2% of that year's total market trading volume will be considered in-scope. Brokers are expected to comply with the standards within 15 months.

Client assets

In July, we issued a circular reminding intermediaries of their obligations to adequately safeguard client assets. By 31 July 2020, intermediaries are required to have in place acknowledgement letters which stipulate that authorised institutions² would not have any right of set-off or lien against client assets.

Managing liquidity risks of funds

In August, we issued a circular to highlight deficiencies noted in fund managers' liquidity risk management practices and reminded fund managers to enhance their policies and processes. They should also perform more frequent and enhanced liquidity stress testing to assess the potential impact of market volatility on fund liquidity and the adequacy of their action plans and liquidity risk management tools.

Launch of key risk indicator platform

Also in August, we launched a new platform on WINGS, our online portal, to collect and analyse Key Risk Indicator (KRI) data from 22 global financial institutions which are considered systemically important. The KRI platform will enhance our information gathering and analytical capabilities to facilitate supervision. Starting from 31 January 2020, licensed corporations from these global financial institutions are required to submit KRI data on a regular basis.

FAQs on securities margin financing

In September, we issued frequently asked questions (FAQs) on the new Guidelines for Securities Margin Financing Activities which took effect on 4 October. The guidelines aim to help brokers identify financial risks and to assist them in properly managing risks to their excess liquid capital buffers. The FAQs address industry concerns about compliance with the guidelines and also clarify the application and interpretation of some specific requirements.

Virtual assets

On 6 November, we announced a regulatory framework for licensing virtual asset trading platforms under our existing powers. A position paper set out the features of the regulatory regime, including specific licensing conditions for platform operators.

Also on 6 November, we issued a statement warning investors to be wary of investing in virtual assets futures contracts and setting out our view that platforms offering these contracts may be in breach of the laws of Hong Kong.

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

² Banks authorised by the Hong Kong Monetary Authority.

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Licensees and registrants

	As at 30.9.2019	As at 31.3.2019	Change (%)	As at 30.9.2018	YoY change (%)
Licensed corporations	3,048	2,960	3	2,844	7.2
Registered institutions	115	116	-0.9	118	-2.5
Licensed individuals	44,472	43,602	2	43,101	3.2
Total	47,635	46,678	2.1	46,063	3.4

Licensing applications

	Quarter ended 30.9.2019	Six months ended 30.9.2019	Six months ended 30.9.2018	YoY change (%)
Applications to conduct new regulated activity	6,395	11,496	13,138	-12.5
Applications for SFC licences [#]	2,060	3,816	4,384	-13

[#] Figures do not include applications for provisional licences. During the quarter, we received 1,182 provisional licence applications compared with 1,418 in the same quarter last year.

Intermediary inspections

	Quarter ended 30.9.2019	Six months ended 30.9.2019	Six months ended 30.9.2018	YoY change (%)
On-site inspections conducted	106	188	146	28.8