

# Intermediaries

## Licence applications

As at 31 December 2019, the number of licensees and registrants totalled 47,437, up 2.3% from last year, and the number of licensed corporations grew 6.2% to 3,084.

In the quarter, we received 1,499 licence applications<sup>1</sup>, down 27.2% from the last quarter and 23.3% year-on-year. The number of corporate applications decreased 39.7% from the last quarter to 44, down 30.2% year-on-year.

## Licensing fee waiver

We announced in December that annual licensing fees for the financial year 2020-21 will be waived in view of the current challenging market environment.

## External electronic data storage

In an October circular, we set out requirements for keeping regulatory records exclusively with external electronic data storage providers. We also reminded licensed corporations about their obligations to ensure information security.

## Virtual assets

In November, we published a position paper setting out a regulatory framework for licensing virtual asset trading platforms under our existing powers. We also issued a statement warning investors about the risks associated with virtual asset futures contracts and setting out our view that platforms offering these contracts may be in breach of the laws of Hong Kong.

We published a proforma set of terms and conditions for licensed corporations managing portfolios which invest in virtual assets in October. These terms and conditions will be imposed on all licensed virtual asset portfolio managers subject to minor variations depending on individual managers' circumstances.

## Dubious private fund and discretionary account arrangements

In November, we issued a circular to provide guidance for asset managers considering private fund and discretionary account arrangements or transactions. We reminded them that if they fail to detect dubious arrangements or transactions proposed or directed by investors, or facilitate illegal or improper conduct due to inadequacies in their procedures and controls, we would take regulatory action against them and their senior management.

## Licensees and registrants

	As at 31.12.2019	As at 31.3.2019	Change (%)	As at 31.12.2018	YoY change (%)
Licensed corporations	3,084	2,960	4.2	2,905	6.2
Registered institutions	114	116	-1.7	117	-2.6
Licensed individuals	44,239	43,602	1.5	43,349	2.1
<b>Total</b>	<b>47,437</b>	<b>46,678</b>	<b>1.6</b>	<b>46,371</b>	<b>2.3</b>

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

## Intermediaries

### Margin requirements for OTC derivatives

In December, we released the conclusions to a consultation on proposals to impose margin requirements for non-centrally cleared over-the-counter (OTC) derivatives to reduce systemic market risks. The requirements will be phased in starting from 1 September 2020.

### Sustainable finance

We published a report in December on our survey on integrating environmental, social and governance factors and climate risks in asset management. The report also set out next steps to more closely align our regulatory regime with global standards.

### SFC-HKMA joint product survey

A December circular announced the first product survey conducted jointly by the SFC and the Hong Kong Monetary Authority (HKMA). Covering the sale of non-exchange traded investment products by intermediaries, the survey will enable us to better understand market trends, identify risks associated with selling activities and coordinate our responses to address areas of common concern. The survey will be conducted on an annual basis beginning with the period from 1 January to 31 December 2020.

### Anti-money laundering

We conducted three seminars in November to provide updates on anti-money laundering for around 800 executives of licensed corporations.

### Licensing applications

	Quarter ended 31.12.2019	Nine months ended 31.12.2019	Nine months ended 31.12.2018	YoY change (%)
Applications to conduct new regulated activity	4,352	15,848	18,731	-15.4
Applications for SFC licences <sup>#</sup>	1,499	5,315	6,337	-16.1

<sup>#</sup> Figures do not include applications for provisional licences. During the quarter, we received 788 provisional licence applications compared with 1,054 in the same quarter last year.

### Intermediary inspections

	Quarter ended 31.12.2019	Quarter ended 30.9.2019	Change (%)	Quarter ended 31.12.2018	YoY change (%)
On-site inspections conducted	76	106	-28.3	72	5.6