

Intermediaries

Licence applications

As at 30 June 2020, the number of licensees and registrants totalled 46,824, of which 3,109 were licensed corporations.

In the quarter, we received 1,043 licence applications¹ including 54 corporate applications.

COVID-19 response

In light of heightened market volatility and unanticipated disruptions caused by the COVID-19 pandemic, we stepped up our supervisory work and stress tests to monitor firms' financial and operational resilience. We also worked with the industry to provide flexibility without lowering standards or compromising investor protection. We extended the implementation deadlines for three regulatory changes by six months and reminded intermediaries of alternatives for receiving and recording orders to help them comply with regulatory requirements when staff work out of the office.

As part of our commitment to handle licensing matters pragmatically during the crisis, we issued frequently asked questions (FAQs) to explain the flexibility we allow in fulfilling requirements related to regulatory examinations and continuous professional training, staff working overseas as part of contingency arrangements, and notifications of changes or disruptions to firms' operations.

Commodity futures and ETFs

To remind commodity futures brokers to take precautionary measures to manage the risks of trading crude oil futures contracts, we issued a circular in April to warn them against opening new positions for clients who do not have the financial capacity to bear the potential losses. In a separate circular issued on the same day, we reminded managers of SFC-authorized futures-based exchange-traded funds (ETFs) to remain vigilant so that the funds can be managed in the best interests of investors even in extreme market conditions. In addition, we reminded firms to ensure compliance with conduct requirements when providing trading services for futures-based ETFs.

Licensees and registrants

	As at 30.6.2020	As at 31.3.2020	Change (%)	As at 30.6.2019	YoY change (%)
Licensed corporations	3,109	3,109	0	3,017	3
Registered institutions	112	112	0	115	-2.6
Licensed individuals	43,603	43,946	-0.8	44,107	-1.1
Total	46,824	47,167	-0.7	47,239	-0.9

Licensing applications

	Quarter ended 30.6.2020	Quarter ended 31.3.2020	Change (%)	Quarter ended 30.6.2019	YoY change (%)
Applications to conduct new regulated activity	3,491	3,513	-0.6	5,101	-31.6
Applications for SFC licences [^]	1,043	1,122	-7	1,756	-40.6

[^] Figures do not include applications for provisional licences. During the quarter, we received 639 provisional licence applications compared with 929 in the same quarter last year.

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

Intermediaries

Leveraged foreign exchange trading

A report we issued in April summarises the findings of a survey of licensed corporations' leveraged foreign exchange trading (LFET) activities between 1 January and 31 December 2018. The report also set out our expected regulatory standards and good industry practices for customer due diligence, handling client orders, conflicts of interest and information for clients. LFET brokers are expected to review their policies and controls to ensure compliance with these standards by 1 January 2021.

Cybersecurity risks

Also in April, we issued a circular to remind licensed corporations to assess their operational capabilities and implement appropriate measures to manage the cybersecurity risks associated with remote office arrangements. We provided examples of typical security controls for remote network access and videoconferencing platforms.

Intermediary inspections

	Quarter ended 30.6.2020	Quarter ended 31.3.2020	Change (%)	Quarter ended 30.6.2019	YoY change (%)
On-site inspections conducted	74	53	39.6	82	-9.8

Margin requirements for OTC derivatives

We issued a circular in May 2020 to announce that the implementation of the initial margin requirements for non-centrally cleared over-the-counter (OTC) derivative transactions will be phased in starting from 1 September 2021 to align with the international timetable which was revised in view of the COVID-19 situation. The effective date for the variation margin requirements remains 1 September 2020.

SFC-HKMA review of spread charges

In May, we issued a joint circular with the Hong Kong Monetary Authority (HKMA) to announce a thematic review which will assess intermediaries' spread charges and their compliance with requirements governing the disclosure of trading capacity and monetary benefits, with a focus on the distribution of non-exchange traded investment products. The review will commence in the second half of 2020.