

# 2023-24 Annual Report



Process Review Panel for the  
Securities and Futures  
Commission

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*Abbreviations used in this Report*

|          |   |
|----------|---|
| CAL      | Compliance advice letter  |
| CFD      | Corporate Finance Division  |
| COVID-19 | Coronavirus Disease   |
| CSRC     | China Securities Regulatory Commission  |
| DIS      | Disciplinary function of Intermediary Misconduct Team of Enforcement Division |
| EFM      | Exempt fund manager   |
| ENF      | Enforcement Division  |
| IMT      | Intermediary Misconduct Team of Enforcement Division                          |
| IPD      | Investment Products Division  |
| LC       | Licensed corporation  |
| LIC      | Licensing Department  |
| LSD      | Legal Services Division   |
| NPDA     | Notice of Proposed Disciplinary Action  |
| PRP      | Process Review Panel for the Securities and Futures Commission                |
| SFC      | Securities and Futures Commission   |
| SFO      | Securities and Futures Ordinance (Cap. 571)                                   |
| VATP     | Virtual asset trading platform  |

## Message from the Chairman

It is my honour to have served as Chairman of PRP since 2018-19. PRP has witnessed persistent efforts made by SFC in enhancing its processes and procedures to support its regulatory framework and meet its strategic priorities. As part of these efforts, SFC launched an Enforcement Strategic Review in 2016 to improve the efficiency and effectiveness of the investigation process in enforcement cases; announced the new front-loaded regulatory approach in 2017 to complement its enforcement actions; and revamped its licensing processes in 2019 to enhance efficiency and transparency. It was subsequent to or around the times of these reforms when some of my fellow Members and I began our review work.

PRP is privileged to have the opportunity to review cases completed before and after the improvement of various internal processes of SFC. We observed positive changes brought about by those reforms. For some time, we have been reviewing a relatively smaller number of licensing and investment products applications as compared with earlier years, mainly because most of the common issues as observed in previous case reviews had been addressed.

For enforcement cases which have always been the focus of PRP's work, I recall the early days when we had lengthy discussion on some cases with exceptionally long processing time. We had been critical of the processes in those cases, typically concerning the long time taken to engage market experts and seek legal advice. As time goes by, I noted changes in the way cases were handled and an overall improvement in the processing time of enforcement cases. Case officers attributed those improvements to revamped procedures and re-organisation of work. I now favourably concur with these remarks.

I am glad that various divisions of SFC have worked collaboratively with PRP to enable us to understand and exchange views on their work processes. I trust that over the years, PRP has made good use of case review meetings attended by case officers and

other feedback channels to convey PRP's comments and recommendations to SFC and these suggestions have effectively aided in enhancing SFC's internal procedures and policies.

In working together with SFC, I wish to express my appreciation for the Chairman of SFC, Mr Tim Lui, who began his term of office at around the same time I assumed the chairmanship of PRP. We were both new to PRP's work and pursued close cooperation since then. He has been the key facilitator of PRP's collaboration with SFC.

I must also recognise the efforts made by my fellow panel Members with whom I had worked in the past six years. I am pleased to have had the opportunity of working closely with them in making recommendations to SFC which we believe are conducive to SFC's operation and assisting SFC in the discharge of its functions fairly and consistently. I thank them for contributing their expertise, time and efforts to make PRP's work fruitful. I am also obliged to their support to me for taking initiatives to spell out PRP's concerns to SFC to sustain its progress over time.

I have full confidence that the incumbent Members and new Members will give their best contribution towards the mission of PRP to ensure the reasonableness and consistency of the internal operational procedures of SFC. Their exceptional experience, competence and wise counsel will continue the mission and make the securities and futures markets of Hong Kong fair and robust.

Finally, I would like to reiterate my heartfelt thanks and gratitude to fellow Members, SFC colleagues and PRP Secretariat for all the hard work, and indulgence that they have bestowed upon me and most importantly PRP. I send my best wishes to them and PRP for great prospects and good work!

Mr Lee Kam Hung, Lawrence, BBS, JP  
Chairman

## Executive Summary

In 2023-24, PRP reviewed 60 cases selected from the monthly closed cases lists submitted by SFC. Upon acquiring case information from and exchanging views with SFC officers at case review meetings and discussion between PRP members at full meetings, PRP made recommendations pertaining to SFC's policies, processes and procedures for the latter's consideration and response. PRP's recommendations and SFC's responses are summarised below –

### *Use of Technology*

2. PRP noted the effectiveness of SFC's deployment of technologies to improve work processes, in particular, the contribution of WINGS, an online platform for electronic forms and submission services to streamline licence applications and reporting for intermediaries and VATPs, etc. PRP considered that WINGS would facilitate CFD's daily monitoring functions, processing of listing applications, etc. and suggested SFC to consider expanding the application of WINGS to CFD.
3. SFC responded that a feasibility study on applying WINGS to CFD matters would be conducted.

### *Procedural Enhancements*

4. PRP highlighted three enforcement cases which revealed issues concerning SFC's manpower deployment and disciplinary process. In general, PRP found their processing time too long (around 3 – 4.5 years). In the first case (*Case A*), LSD took around a year to give legal advice on a simple enforcement case to ENF due to priority given to other cases of greater significance and complexity. In the second case (*Case B*), DIS took approximately 2.5 years to make disciplinary decisions and initiate the disciplinary process, during which the case had been re-allocated twice to DIS officers. In the third case (*Case C*), DIS took around 2 years to review whether there was sufficient evidence to take disciplinary actions against

an LC and members of its senior management under investigation for the LC's internal control failures<sup>1</sup>.

5. PRP considered that the prolonged processing time of the first case had undermined the deterrent effect of its successful enforcement outcome, and the repeated re-allocation of duties among DIS officers in the second case had much lengthened its processing time. Noting that the LC in the third case accepted responsibilities for its internal control failures, PRP held the view that the case might warrant streamlined investigatory and disciplinary processes.

6. PRP reminded SFC to ensure effective manpower deployment for both high-priority and low-priority cases (such as Case A) and improve its manpower planning and handover arrangement to ensure timely completion of various processes in an enforcement case. PRP also suggested SFC to consider adopting streamlined processes in less significant cases with the aim of saving time and resources for high-priority cases while ensuring timely completion of cases of lower priority.

7. In respect of Case C, SFC explained that the LC and members of its senior management only accepted their responsibilities after SFC issued NPDAs to them. SFC has already sought to streamline the disciplinary process by resolving its concerns with them. SFC acknowledged the benefits of taking disciplinary actions on a more streamlined basis by focusing on more egregious misconduct, provided that the objectives of, inter alia, educating and setting standards for the industry are not compromised. SFC has taken into account factors such as number of breaches and violations, nature and frequency of those breaches in assessing the seriousness of the misconduct and aimed to send deterrent message of appropriate strength to the industry through suitable disciplinary actions.

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<sup>1</sup> The case coincided with the outbreak of the COVID-19 pandemic when social distancing measures taken by SFC had reduced the efficiency of IMT's analysis of trades and fund movement records, and IMT had taken extra time to strengthen the evidence of the case by conducting further investigation. The case was subsequently resolved by way of joint settlement.



8. SFC also responded that ENF had set up a Rapid Inquiry Team under the Market Misconduct Team to explore ways to expedite the handling of less complicated market misconduct and insider dealing cases. SFC would continue to look into ways to streamline its processes and further explore room for refining the disciplinary regime as appropriate.

### *Corporate Governance*

9. PRP noted SFC did not take disciplinary action or administrative measure against the senior management of an LC for its internal control failures because there was insufficient evidence to pinpoint any particular member to be held accountable. PRP recommended SFC to give consideration to taking administrative measures such as advisory letters or warnings against the whole board or senior management in such situations where disciplinary actions could not be pursued.

10. SFC responded that in appropriate cases, for example, where there are non-material, technical breaches attributable to any members of an LC's senior management, consideration would be given to issuing CALs to them.

### *Cooperation with Regulators and Law Enforcement Agencies*

11. Noting from two enforcement cases reviewed during the year and some other past cases where SFC took no further actions mainly due to difficulties in collecting evidences against and serving summonses on the persons under investigation who are not Hong Kong residents, PRP suggested SFC to tackle problems associated with jurisdictional limits proactively and strategically. PRP recommended SFC to explore means to further extend its cooperation with counterpart regulators and Mainland and overseas authorities with a view to bringing sufficient deterrence to cross-boundary securities and economic crimes.

12. SFC responded that they have been proactively exploring solutions to address the issue of jurisdictional limits with their counterparts with a view to bringing more deterrent consequences to



perpetrators. In particular, ENF has been strengthening its mutual cooperation with CSRC, which has led to more timely investigatory assistance rendered by CSRC to ENF.

## Chapter 1      General Information

### Background

1.1            PRP is an independent panel established by the Chief Executive in November 2000. It is tasked to conduct reviews of operational procedures of SFC and to determine whether SFC has followed its internal procedures and operational guidelines to ensure consistency and fairness in carrying out its work.

### Functions

1.2            PRP reviews completed or discontinued cases handled by SFC and advises SFC on the adequacy of its internal procedures and operational guidelines governing the actions taken and operational decisions made by SFC in performing its regulatory functions. The broad areas of SFC's work cover authorisation of investment products, licensing of intermediaries, inspection of intermediaries, enforcement, corporate finance including processing of listing applications, and complaint handling.

1.3            PRP does not judge the merits of SFC's decisions and actions. It focuses on the process.

1.4            The Terms of Reference of PRP are -

- (a)            To review and advise SFC upon the adequacy of SFC's internal procedures and operational guidelines governing the actions taken and operational decisions made by SFC and its staff in the performance of SFC's regulatory functions in relation to the following areas -
- (i)            receipt and handling of complaints;
  - (ii)           licensing of intermediaries and associated matters;
  - (iii)           inspection of licensed intermediaries;
  - (iv)           taking of disciplinary action;
  - (v)           authorisation of unit trusts and mutual funds and advertisements relating to investment arrangements and agreements;
  - (vi)           exercise of statutory powers of investigation, inquiry and prosecution;

- (vii) suspension of dealings in listed securities;
  - (viii) administration of the Codes on Takeovers and Mergers and Shares Buy-back (formerly known as the Codes on Takeovers and Mergers and Share Repurchases);
  - (ix) administration of non-statutory listing rules;
  - (x) authorisation of prospectuses for registration and associated matters; and
  - (xi) granting of exemption from statutory disclosure requirements in respect of interests in listed securities.
- (b) To receive and consider periodic reports from SFC on all completed or discontinued cases in the above-mentioned areas, including reports on the results of prosecutions of offences within SFC's jurisdiction and of any subsequent appeals.
  - (c) To receive and consider periodic reports from SFC in respect of the manner in which complaints against SFC or its staff have been considered and dealt with.
  - (d) To call for and review SFC's files relating to any case or complaint referred to in the periodic reports mentioned in paragraphs (b) and (c) above for the purpose of verifying that the actions taken and decisions made in relation to that case or complaint adhered to and are consistent with the relevant internal procedures and operational guidelines and to advise SFC accordingly.
  - (e) To receive and consider periodic reports from SFC on all investigations and inquiries lasting more than one year.
  - (f) To advise SFC on such other matters as SFC may refer to the Panel or on which the Panel may wish to advise.
  - (g) To submit annual reports and, if appropriate, special reports (including reports on problems encountered by the Panel) to the Financial Secretary which, subject to applicable statutory secrecy provisions and other confidentiality requirements, should be published.
  - (h) The above terms of reference do not apply to committees, panels or other bodies set up under SFC the majority of which members are independent of SFC.

1.5 PRP submits its annual reports to the Financial Secretary who may cause them to be published as far as permitted under the law.

1.6 The establishment of PRP demonstrates the Government's resolve to enhance the transparency of SFC's operations, and SFC's determination to boost public confidence and trust. PRP's work contributes to ensuring that SFC exercises its regulatory powers in a fair and consistent manner.

### **Modus Operandi**

1.7 SFC provides PRP with monthly lists of completed and discontinued cases from which members of PRP select cases for review. Members pay due regard to areas such as processing time of completed cases, procedural steps taken by SFC in arriving at its decisions and relevant checks and balances.

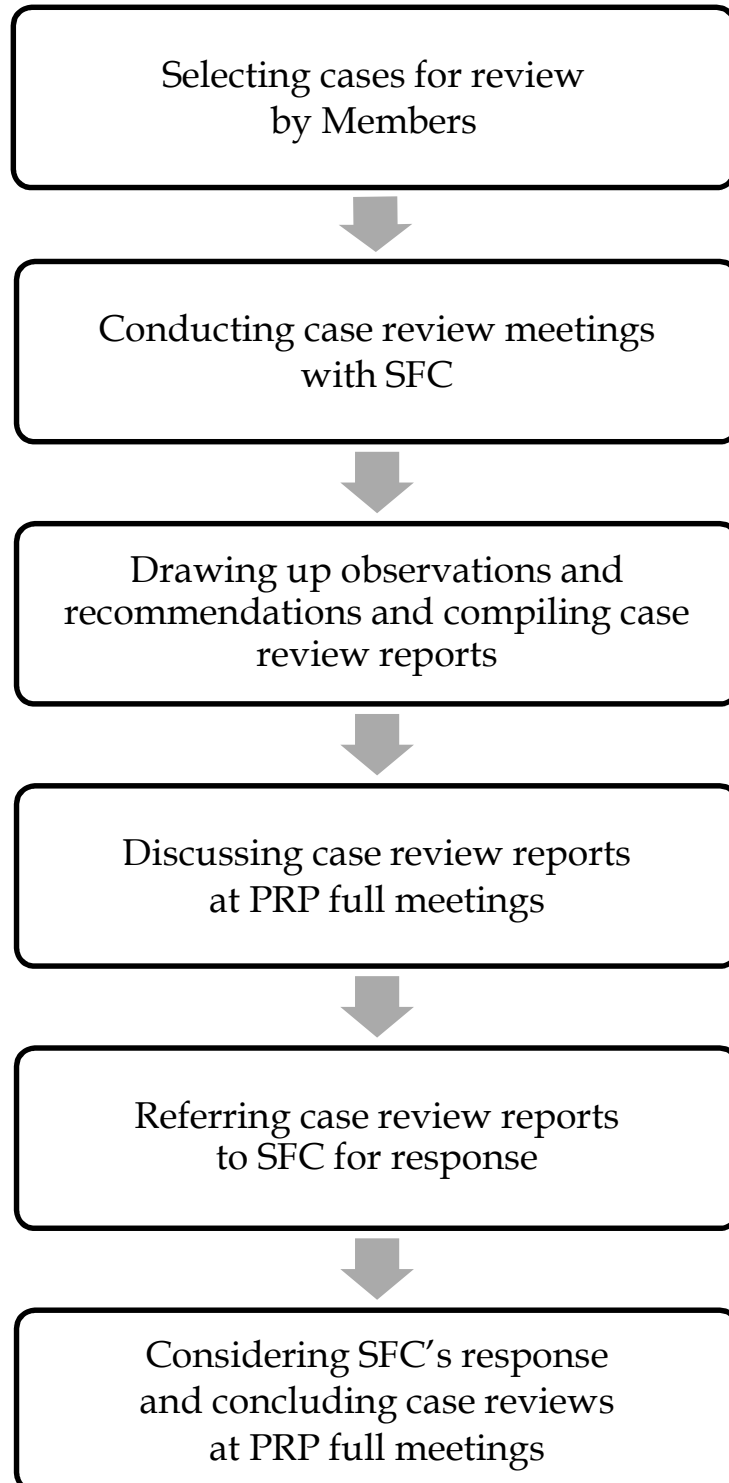
1.8 SFC also provides PRP with monthly lists of on-going investigations and inquiry cases that have lasted for more than one year for PRP to take note of and consider for review upon completion of the cases.

1.9 Based on PRP's selection, SFC provides case summaries, together with relevant internal manuals and operational guidelines, for PRP members' perusal.

1.10 PRP members are obliged to keep confidential the information provided to them in the course of PRP's work. To maintain the independence and impartiality of PRP, all PRP members are required to make declaration of interest upon commencement of their terms of appointment and declare their interest in the relevant matters before they engage in each case review and relevant discussions, as appropriate.

## Case Review Workflow

1.11 The workflow of a PRP case review is set out below –



## Composition

1.12 PRP comprises a Chairman and Members from various sectors, including academic, financial, legal and accounting. The Chairman of SFC and the Secretary for Justice (or his representative) are ex-officio members of the PRP.

1.13 The membership of PRP in 2023-24 is as follows -

### Chairman:

Mr LEE Kam-hung, Lawrence, BBS, JP since 1 November 2018

### Members:

Professor CHAN Ka-lok, MH since 1 November 2022

Mr CHAN Lap-tak, Jeffrey since 1 November 2018

Ms CHAU Suet-fung, Dilys, JP since 1 November 2018

Ms CHING Kim-wai, Kerry since 1 November 2020

Ms CHUA Suk-lin, Ivy since 1 November 2018

Mr CHUI Yik-chiu, Vincent since 1 November 2018

Ms KWAN Wing-han, Margaret since 1 November 2018

Ms KWOK Pui-fong, Miranda, JP since 1 November 2022

Mr LAI Hin-wing, Henry since 1 November 2018

Mr LI Man-bun, Brian David, BBS, JP since 1 November 2022

Mr LIN Xiaodong, Charles since 1 November 2022

Dr WANG Lei, Levin, JP since 1 November 2022

### Ex-officio Members:

Chairman, the Securities and Futures Commission since 20 October 2018

Mr Tim LUI, GBS, JP

Secretary for Justice's Representative since 1 March 2021

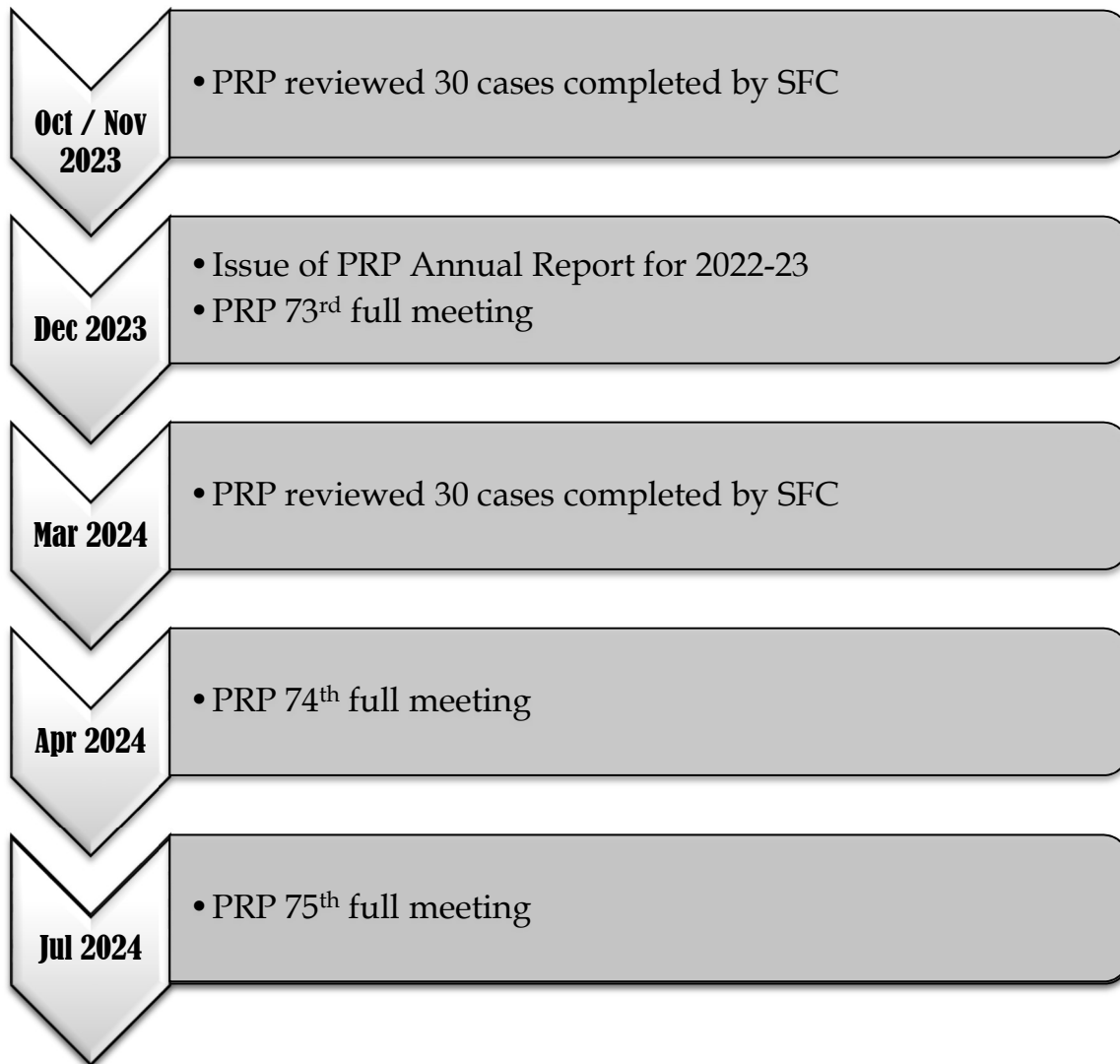
Mr YUNG Lap-yan

### Secretariat:

The Financial Services Branch of  
the Financial Services and the Treasury Bureau

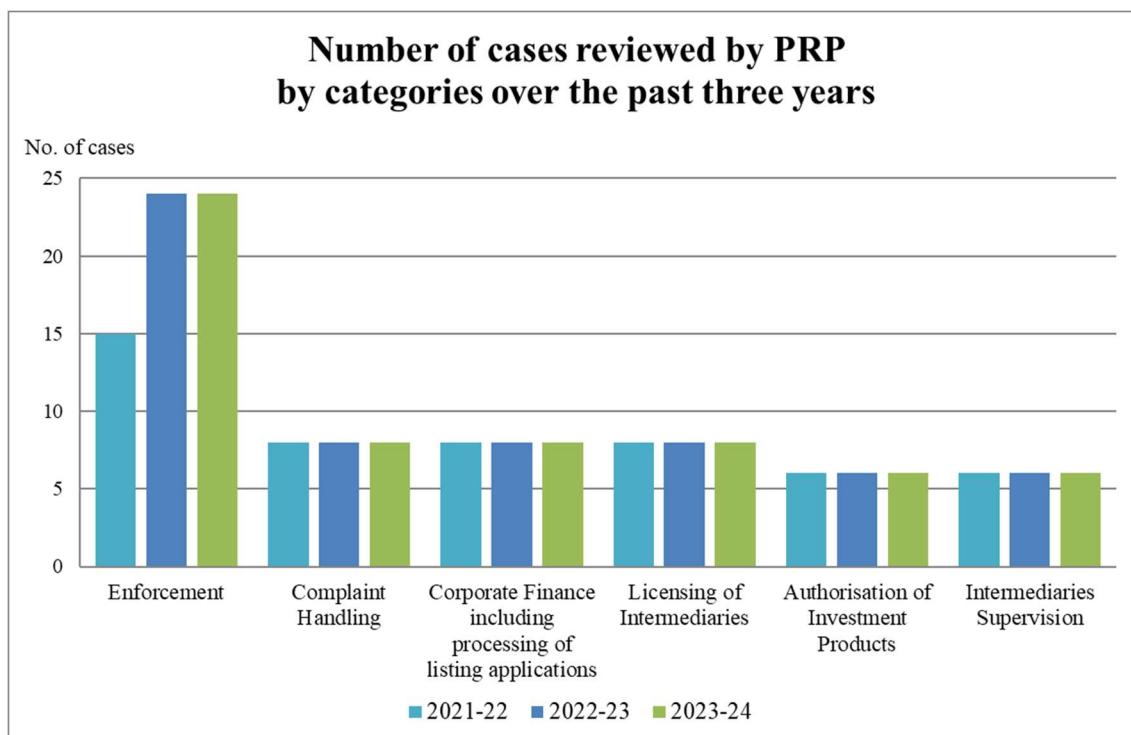
## Chapter 2 Work of PRP in 2023-24

2.1 Major events in 2023-24 are set out below –





2.2 Distribution of the cases reviewed by PRP in the past 3 years<sup>2</sup> is as follows -



2.3 Distribution of the 60 cases reviewed by PRP in 2023-24 is as follows -

|  | No. of Cases |
|--|--------------|
| Enforcement  | 24           |
| Complaint Handling   | 8            |
| Corporate Finance including processing of listing applications | 8            |
| Licensing of Intermediaries                                    | 8            |
| Authorisation of Investment Products                           | 6            |
| Intermediaries Supervision                                     | 6            |
| <b>Total</b>   | <b>60</b>    |

<sup>2</sup> Due to SFC's special work-from-home arrangement amid the 5<sup>th</sup> wave of the COVID-19 pandemic, case teams encountered difficulties in preparing case summaries for PRP to review. As a result, only 15 (instead of 24 as originally planned) enforcement cases were reviewed by PRP in 2021-22.

2.4 Highlight of PRP's observations and recommendations is set out in Chapter 3.

## **Chapter 3      Observations and Recommendations on Cases Reviewed**

3.1            In 2023-24, PRP reviewed 60 cases which were concluded by SFC during the period from December 2022 to November 2023. The processing time of these cases, which were of different nature and complexity, ranged from around a month to several years. SFC presented case summaries and made available relevant case files to PRP for review. PRP observed that SFC had generally followed its operational guidelines and procedures in processing the cases.

3.2            Detailed observations and recommendations made by PRP in relation to the following four common issues identified in case reviews are set out in the ensuing paragraphs –

- (a) use of technology;
- (b) procedural enhancements;
- (c) corporate governance; and
- (d) cooperation with regulators and law enforcement agencies.



## A. Use of Technology

3.3 PRP noted SFC's efforts in deploying technologies to improve work processes and enhance procedures. In recent case reviews, PRP observed that the processing time for investment products and licensing applications had shortened in general. The adoption of online platforms and digital processes on various fronts by SFC has been conducive to streamlining the vetting and communication processes in divisions such as IPD and LIC.

3.4 In particular, as remarked by SFC, the deployment of WINGS, an online platform for electronic forms and submission services, has proven effective to streamline licence applications and reporting for intermediaries and VATPs, etc. On the other hand, PRP noted from its review of an EFM status renewal application processed by CFD that WINGS did not cover submissions to CFD.

### *§ PRP's comments and suggestions*

3.5 PRP was delighted to note the effectiveness of WINGS in streamlining work procedures in various divisions of SFC. Considering that the work of CFD covers a broad spectrum of listing and takeovers matters, PRP held the view that extending the application of WINGS to CFD would facilitate stakeholders in listing applications and takeovers and mergers activities to make electronic submissions to CFD, and more straightforward processing of relevant applications and communication with the industry by CFD.

3.6 In terms of the daily monitoring functions of CFD in the areas of listed company information and corporate disclosures, etc., WINGS would also advance CFD's surveillance capabilities with the use of digital information and artificial intelligence.

3.7 Given the above and the overall benefit to green and sustainable finance, PRP suggested SFC to give consideration to expanding the application of WINGS to CFD as far as practicable.

*§ SFC's response*

3.8 SFC responded that a feasibility study on applying WINGS to CFD matters would be conducted.



## **B. Procedural Enhancements**

3.9 PRP reviewed 24 enforcement cases. The processing time of these cases ranged from 3 months to over 9 years. Excluding a case which involved Court proceedings<sup>3</sup>, the average processing time for the other 23 cases was around 2 years and 7 months. It was the deliberate attempt of PRP to review cases which took relatively longer processing time to identify any inadequacy or room for enhancement in the procedures.

### *§ PRP's observations and suggestions*

3.10 In the following three enforcement cases under review, PRP made comments on SFC's manpower deployment and disciplinary process –

*Case A:* This case involved suspected insider dealing. The circumstances of the case was not complicated but ENF took a few months to obtain expert opinion and around a year to obtain internal legal advice. In giving the legal advice, LSD had given priority to other cases of greater significance. The case was concluded, with conviction of one person in the Court, in around 3 years.

*Case B:* This case was a referral to DIS for consideration of taking disciplinary action against an LC and/or its senior management. The case had been re-allocated twice to DIS officers, which involved the handover of duties from the 1<sup>st</sup> officer due to his/her retirement, and a re-allocation to the 3<sup>rd</sup> officer due to the heavy workload of the 2<sup>nd</sup> officer. Including the time taken to seek further information from the LC, DIS took approximately 2.5 years to make disciplinary decisions and inform the LC of its preliminary findings for initiating the disciplinary process. The case was concluded in around 4.5 years.

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<sup>3</sup> The processing time for that case is 9 years and 5 months.

*Case C:* This case concerned internal control deficiencies of an LC. IMT had spent a significant amount of time on analysing voluminous amounts of trades and fund movement records. After IMT's referral, DIS took around 2 years to review the case and issue NPDAs to the LC and members of its senior management. The case was subsequently resolved by way of joint settlement upon the LC and the concerned individuals' acceptance of responsibilities for the failures identified by SFC. The processing time of the case was around 4.5 years.

### *(a) Manpower Deployment*

3.11 PRP observed that while more serious and complicated cases would usually take a longer processing time, it was not uncommon for cases of lower priority to also take a long processing time.

3.12 For Case A, PRP considered that the prolonged processing time of around 3 years for a simple enforcement case was undesirable and undermined the deterrent effect of SFC's successful enforcement outcome. To ensure the deterrent effect of enforcement actions is proportionate to the time and resources required, PRP reminded SFC to ensure effective manpower deployment for both high-priority and low-priority cases.

3.13 PRP also considered that the re-allocation of Case B to the 2<sup>nd</sup> DIS officer who subsequently passed the case to the 3<sup>rd</sup> DIS officer seemed to be a result of insufficient succession and manpower planning. Such deployment arrangement had inevitably prolonged the disciplinary process. PRP suggested SFC to improve its manpower planning and handover arrangement to ensure timely completion of various processes in an enforcement case.

### *§ SFC's response*

3.14 SFC noted PRP's comments. In terms of manpower deployment, ENF had set up a Rapid Inquiry Team under the Market Misconduct Team to explore ways to expedite the handling of less



complicated market misconduct and insider dealing cases. SFC would continue to look into ways to streamline its various processes.

*(b) Disciplinary Process*

3.15 PRP noted Case C coincided with the outbreak of the COVID-19 pandemic when social distancing measures taken by SFC had reduced the efficiency of IMT's analysis of trades and fund movement records, and IMT had taken extra time to strengthen the evidence of the case by conducting further investigation.

3.16 While acknowledging the negative impact of the COVID-19 pandemic on case progress, PRP considered it crucial to take timely disciplinary actions to prevent wrongdoers from committing further misconduct or breaches of rules, which would be harmful to investors and the broader public interest. Given the LC was ready to accept responsibilities for its internal control failures, PRP considered that the case might warrant a streamlined approach in terms of both the investigatory work and the disciplinary process.

3.17 PRP suggested SFC to explore room for refining its disciplinary regime, including but not limited to consider taking a more streamlined disciplinary process in cases which are less serious in nature and has less impact on the Hong Kong financial markets or investing public. PRP considered that the adoption of streamlined disciplinary processes in low-priority cases, where appropriate, would enhance SFC's capability to send timely deterrent messages in both high-priority and low-priority cases, with time and resources saved for the former to deal with more egregious misconduct. In practice, SFC should devise guidelines specifying when and how streamlined approaches should be adopted in the processing of enforcement cases.

## § *SFC's response*

3.18 SFC acknowledged the benefits of taking disciplinary actions on a more streamlined basis by focusing on more egregious misconduct but at the same time, SFC has to balance such benefits against its regulatory objectives, as set out in the SFO, to maintain and promote a fair, transparent and orderly securities and futures market and to help the public understand the workings of the securities and futures industry.

3.19 SFC stated that the purpose of its disciplinary jurisdiction is not primarily punitive. There is also a need to educate and set standards for the industry and to sustain public confidence in the integrity of the securities and futures industry. In cases where multiple breaches and violations are identified, while some issues may be more serious than others, it may not be appropriate to take disciplinary action only in respect of the more serious issues, as all these breaches, when viewed together in the round, may suggest wider systemic control deficiencies that warrant heavier disciplinary sanctions and/or remedial actions to be taken by the intermediaries to address such deficiencies. Similarly, the frequency of occurrence (or number of counts) of the same breach is often relevant to the assessment of the seriousness of the intermediary's failings. Disciplinary actions in respect of such conduct serve the purpose of sending a deterrent message of appropriate strength to the industry of the types of conduct that will not be tolerated by SFC.

3.20 In Case C, the LC and members of its senior management only accepted their responsibilities after the NPDAs were issued. SFC had already sought to streamline the disciplinary process by way of resolution.

3.21 SFC would explore further room for refining the disciplinary regime as appropriate.

### § *PRP's remark*

3.22 PRP considered that the deterrent effect of less serious cases which seldom catch the media's attention does not seem to be commensurate with the time required for a full investigation and/or comprehensive disciplinary process, which could take a few years. PRP reminded SFC to strike a good balance between sending a deterrent message of appropriate strength to the market under the existing regime, and sending a timely deterrent message to the market by adopting streamlined approaches.



## C. Corporate Governance

3.23 PRP reviewed an enforcement case concerning internal control failures of an LC and misconduct of some of its employees as licensed persons. Disciplinary actions were taken against the LC and one of the employees who was found not fit and proper to be a licensed person. No disciplinary action or administrative measure was taken against the senior management of the LC due to insufficient evidence to pinpoint any particular member to be held accountable for the LC's internal control failures.

### *§ PRP's comments and recommendations*

3.24 PRP considered that the internal control failures identified by SFC were serious. SFC's findings revealed, among other things, that the LC had failed to properly communicate its fundamental policy to its staff, and had never taken any action over the business activities conducted by those licensed persons, which were prohibited by the LC in principle.

3.25 PRP suggested that where there was insufficient evidence to hold an LC's individual board members or its senior management staff accountable for its internal control failures, consideration should be given to taking administrative measures such as advisory letters or warnings against the whole board or senior management.

### *§ SFC's response*

3.26 SFC responded that whether disciplinary action should be taken against a firm's whole board or senior management depends on the circumstance and available evidence. In appropriate cases, for example, where there are non-material, technical breaches attributable to one or more members of an LC's senior management, consideration would be given to issuing CALs to them.



## **D. Cooperation with Regulators and Law Enforcement Agencies**

3.27 PRP reviewed two enforcement cases where SFC encountered difficulties in collecting evidences against and serving summonses on the persons under investigation who resided in the Mainland. Both cases were concluded with no further action.

### *§ PRP's comments and suggestions*

3.28 PRP noted ENF faced similar situations or difficulties in some enforcement cases reviewed in past years and was of the view that such jurisdictional limits were systemic and might have hindered the ability of SFC to bring a successful enforcement outcome to financial crimes and misconduct cases.

3.29 PRP considered that insufficient deterrence to cross-boundary securities and economic crimes would be detrimental to Hong Kong's reputation as an international financial centre. PRP suggested SFC to tackle these problems proactively and strategically. In particular, SFC should consider exploring means to further extend its cooperation with counterpart regulators and Mainland and overseas authorities with a view to combating such crimes and misconduct more effectively.

### *§ SFC's response*

3.30 SFC responded that they have been proactively exploring solutions to address the issue of jurisdictional limits with their counterparts. As far as cross-boundary securities and economic crimes were concerned, ENF and CSRC held regular high-level meetings, the most recent one was held in June 2024, to exchange views on strengthening law enforcement cooperation in accordance with the parties' respective legal remits with a view to bringing more deterrent consequences to perpetrators.

3.31 Further, ENF has been strengthening its mutual cooperation with CSRC, which has led to more timely investigatory assistance rendered by CSRC to ENF.



## Chapter 4      Way Forward

4.1            PRP has from time to time made suggestions pertaining to application of technology to streamline processes in individual divisions of SFC. PRP was glad to note SFC has made further moves to use technology to refine its work processes. At the time when this report is being prepared, SFC has launched a new online application and submission system for investment products, which was developed on an existing portal launched by SFC for bank record submission.

4.2            PRP believes that no doubt the new online system for investment products will streamline the application process and facilitate the work of IPD. PRP welcomed SFC's persistent efforts in this regard and would continue to make recommendations which would contribute to SFC's use of innovative technology to improve efficiency of divisions, and also facilitate its monitoring of individual divisions' compliance with policies and guidelines through the data maintained in respective systems.

4.3            Human resources are what PRP believes to be fundamental to SFC's operation. While technology assists in improving workflows, SFC's work, in particular, enforcement work requires crucially the exercise of professional judgement and scepticism, and also discretionary powers, etc. by case officers and the senior management. PRP always considered it important for SFC to make flexible manpower deployment not only to respond to circumstantial and market changes, but ensure enforcement outcomes and their deterrent effect would not be compromised by prolonged processes at different stages of an enforcement case due to manpower issues.

4.4            PRP made a few suggestions in relation to SFC's manpower planning during the year. Depending on relevant issues as may be observed in future case reviews, PRP would give consideration to suggesting SFC to review its operational guidelines to ensure that SFC exercises its regulatory powers fairly and consistently by way of, among others, timely completion of all cases.



4.5 PRP welcomes and attaches great importance to the views of stakeholders and the public. Comments on the work of PRP can be referred to the Secretariat of the PRP through the following channels<sup>4</sup>-

By post: Secretariat of the Process Review Panel  
for the Securities and Futures Commission  
24<sup>th</sup> Floor, Central Government Offices  
2 Tim Mei Avenue  
Tamar  
Hong Kong

By email: [prp@fstb.gov.hk](mailto:prp@fstb.gov.hk)

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<sup>4</sup> Enquiries or comments on the work of SFC, not relating to process review, should be made to SFC directly -

By post : Securities and Futures Commission,  
54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

By telephone : (852) 2231 1222

By fax : (852) 2521 7836

By email : [enquiry@sfc.hk](mailto:enquiry@sfc.hk)

## **Chapter 5      Acknowledgement**

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**Process Review Panel for the Securities and Futures Commission  
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