

Enforcement

We take proactive and resolute enforcement actions to protect investors, punish wrongdoers and safeguard the reputation and integrity of our markets. Our strategic focus on high-impact cases helps us address key risks in financial markets and send strong deterrent messages.

Leveraging available regulatory tools

We use the full spectrum of sanctions and remedies available to us under the Securities and Futures Ordinance (SFO), including through criminal, civil, compensatory and disciplinary actions. We have broad powers to hold directors and individuals responsible for misconduct committed by the companies they manage. We can discipline licensed intermediaries through reprimands, fines¹ and suspensions or revocations of licences. Additionally, we have the authority to apply to the court for injunctive and remedial orders against wrongdoers in favour of victims.

To tackle market misconduct, such as insider dealing and market manipulation, we initiate criminal prosecutions or bring cases directly to the Market Misconduct Tribunal (MMT). During the year, we commenced 183 investigations and laid 50 criminal charges against 24 individuals. We secured convictions against two of them and the proceedings against the others are ongoing.

We obtained disqualification and compensation orders against one corporation and 18 individuals. Civil actions seeking financial redress and other remedial orders against 204 individuals and corporations in 37 cases are pending before the court.

Disciplinary actions were taken against 14 individuals and 12 corporations. We also issued 144 compliance advice letters to address areas of regulatory concern, raise standards of conduct and promote compliance in the industry.



[^] The requests were made to intermediaries as a result of our surveillance of untoward price movements and turnover.

¹ Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

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Taking actions under the VATP regime

To combat fraudulent activities of suspicious virtual asset trading platforms (VATPs) in a more timely manner, we established a dedicated joint working group with the Hong Kong Police Force (Police) in October 2023 to enhance collaboration in monitoring and investigating illegal activities involving or purporting to involve virtual assets or VATPs. In December 2023, we and the Police further strengthened our cooperation with an information sharing protocol to identify and address potential fraudulent activities promptly.

To raise public awareness, the SFC warned the public against 19 suspected cases of VATP-related frauds and unlicensed VATPs² during the year through press releases, social media posts, posting of suspicious entities on the SFC's Suspicious VATP Alert Lists, and press briefings. As a result of our concerted efforts, the Police expeditiously took steps to block access to websites of entities involved in suspected fraud, based on requests made by the SFC. We have also issued cease and desist letters to relevant website operators, urging them to cease offering tokens issued by suspicious VATPs.

Joint operations with other law enforcement agencies

First tripartite operation

We conducted the first tripartite operation together with the Independent Commission Against Corruption (ICAC) and the Accounting and Financial Reporting Council (AFRC) in October 2023 against two companies listed on the Stock Exchange of Hong Kong Limited (SEHK) on suspected fictitious corporate transactions totalling \$193 million. A total of 16 premises were jointly searched by the three agencies, and the ICAC arrested three individuals, including an executive director of a listed company, for suspected offences under the Prevention of Bribery Ordinance. The said

joint operation involved the use of documents with intent to deceive principals by agents, and auditors' misconduct concerning the suspected fictitious transactions, respectively. The investigations are ongoing.

Joint operation with ICAC

We conducted a joint operation with the ICAC against a sophisticated market manipulation syndicate that was suspected to have orchestrated a scheme to ramp up the share prices of two companies listed on SEHK. In connection with the joint operation, we issued restriction notices to six brokers, prohibiting them from dealing with or processing assets held in eight trading accounts which are related to the suspected market manipulation of the shares of one of the two listed companies. The ICAC also arrested one core member of the suspected syndicate under the Prevention of Bribery Ordinance.

Combatting market misconduct

Surveillance

On a daily basis, we monitor trading on SEHK and the Hong Kong Futures Exchange Limited, and conduct preliminary inquiries to detect possible market manipulation or insider dealing. We also engage with firms to review how they perform their monitoring and surveillance.

Our surveillance of untoward price and turnover movements resulted in 4,627 requests for trading and account records from intermediaries³. We also received and assessed 248 notifications from intermediaries regarding suspicious equity and derivative trading. We posted one "high concentration" announcement on our website to remind the investing public to exercise caution when trading in the shares of a listed company that are highly concentrated in a small number of shareholders.

² Including <https://futu-pro.com>, <https://futubit.com>, FUBT Exchange, Hounax, Hong Kong Digital Research Institute (or HongKongDAO), BitCuped, LonShiX, BITBANK, Aramex, DIFX, MEXC, www.oslint.com, HSKEX, www.oslexu.com, BitForex, ByBit, KKR Global, HKCEXP and EDY.

³ Intermediaries are required to report clients' suspected market misconduct to the SFC.

Looking back on debut year — How the Hong Kong Investor Identification Regime enhances enforcement outcome

The Hong Kong Investor Identification Regime (HKIDR) became effective on 20 March 2023. Under the HKIDR, relevant SFC-licensed corporations or registered institutions are required to disclose to SEHK the identities of their clients who originated all securities orders in real-time. Since its launch, the HKIDR has significantly enhanced the SFC's market surveillance capabilities.

More targeted market surveillance

The immediate availability of investors' identity information allows us to detect client-level abnormal trading patterns on a real-time basis. We can now quickly establish whether trading irregularities behind multiple brokers are attributable to one single trader without further inquiries to the intermediaries.

We have deployed advanced data analytics to tap into this additional data source to model unusual and novel trading behaviour that might emerge in different economic climates. By leveraging our surveillance capabilities combined with data analytics, resources can now be directed towards cases of high impact and high strategic value that will have the desired deterrence effect.



The Hong Kong Investor Identification Regime came into effect on 20 March 2023

Reduced **21%** section 181 notices issued

Enhancing operational efficiency

Before the HKIDR's launch, the SFC had to issue section 181 notices to relevant exchange participants to obtain information about the orders or trades including the identities of the underlying clients. It took a significant amount of time to collate the data returned from the different intermediaries. Under the HKIDR, we are able to associate each order and trade with a unique investor identity, thus reducing the need to issue section 181 notices to intermediaries and enhancing the overall efficiency in our share dealing enquiry. As a result, the number of section 181 notices reduced by 21% year-on-year from 5,851 to 4,627 during the reporting year.

Second phase of investor identification regime (HKIDR)

Following the launch of HKIDR in March 2023, we launched the second phase in September, ie, the over-the-counter securities transaction reporting regime for shares listed on SEHK. This new regime allows us to better monitor off-exchange transactions and the parties involved.

Insider dealing and other market misconduct

- ◆ Three suspected core members of a large-scale and sophisticated syndicate suspected of ramp and dump market manipulation were charged with the offence of conspiracy to employ a scheme with intent to defraud or deceive in transactions involving securities contrary to section 300⁴ of the SFO and sections 159A and 159C of the Crimes Ordinance. In February 2024, the case against two of the suspected core members were transferred to the District Court. This is the first ramp and dump criminal prosecution in the District Court.
- ◆ Following our earlier joint operation with the Police against a large-scale, sophisticated ramp and dump syndicate, 10 more suspects, including key members and a suspected ringleader, were brought to the Eastern Magistrates' Courts on charges of various criminal offences, including conspiracy to perpetrate fraud or deception in transactions involving securities provided in section 300 of the SFO and related money laundering offences. In total, 24 people were charged in this case. Further hearings were scheduled.
- ◆ The Court of First Instance (CFI) granted an interim injunction order under section 213 of the SFO against Tsang Ching Yi and Barry Kwok Sze Lok for suspected insider dealing in the shares of I.T Limited, prohibiting them from removing assets up to \$8,246,496 from Hong Kong.
- ◆ The Court of Final Appeal unanimously dismissed the appeal by six suspected overseas manipulators concerning service out of the jurisdiction⁵. The appeal arose from legal proceedings under section 213 of the SFO brought by us in a case of alleged false trading in the shares of Ching Lee Holdings Limited through a large-scale and sophisticated scheme. As a result of these proceedings, we obtained from the CFI injunctions to freeze the assets held by 15 local and overseas entities.
- ◆ We commenced proceedings in the MMT against a former executive deputy general manager of China CITIC Bank International Limited for alleged insider dealing in the shares of Bloomage BioTechnology Corporation Limited.
- ◆ We commenced proceedings in the MMT against the former chairman and non-executive director of Ding Yi Feng Holdings Group International Limited and 20 other individuals for allegedly manipulating the trading of Di Yi Feng shares. We also commenced proceedings in the CFI under section 213 of the SFO against the same 21 individuals to seek various orders to restore affected counterparties to their pre-transaction positions and restrain the defendants from disposing of or dealing with any assets, and to ensure that there will be sufficient assets to meet the restoration orders.
- ◆ We brought about the first prosecution for employing a fraudulent scheme with intent to defraud in securities transactions against Yeung Tak Sum Christine (Yeung) in the context of illegal short selling in breach of section 300 of the SFO. In February 2024, the Eastern Magistrates' Court convicted Yeung for the offence under section 300 after she pleaded guilty. In March 2024, Yeung was sentenced to 18 months of imprisonment.

⁴ Under section 300 of the SFO, a person shall not, among other things, directly or indirectly, in a transaction involving securities, engage in any act, practice or course of business which is fraudulent or deceptive, or would operate as a fraud or deception.

⁵ As the suspected manipulators are overseas nationals or entities incorporated outside Hong Kong, we have obtained leave for service out of the jurisdiction from the CFI. The overseas manipulators then made several applications to challenge the CFI's leave for us to serve them out of the jurisdiction. In October, the Court of Final Appeal held that leave to serve out of jurisdiction is not required in the present case.

Tackling corporate fraud and related misbehaviour

During the year, we commenced legal proceedings in the CFI under section 214⁶ of the SFO against the following individuals:

- ◆ to seek disqualification orders against seven former directors and a former chief financial controller of China Candy Holdings for permitting, acquiescing or turning a blind eye to falsified bank and accounting records, breach of directors' duties and other misconduct;
- ◆ to seek disqualification orders against eight current or former directors of FingerTango Inc. and a compensation order against six of them for allegedly committing corporate misconduct and breaching their duties towards the company. We also issued restriction notices to three brokers prohibiting them from dealing with or processing certain assets held in the accounts of three of the respondents for preservation of funds to pay compensation to FingerTango if so ordered by the court; and
- ◆ to seek disqualification orders against five former directors and a former de facto director of First Credit Finance Group Limited for breach of directors' duties.

We obtained orders from the CFI under section 214 of the SFO against:

- ◆ Lau Chi Yuen Joseph and Chung Man Wai, former directors of Luxey International (Holdings) Limited, to disqualify them from being a director or taking part in the management of any corporation in Hong Kong for eight years and five years, respectively, for their misconduct in a corporate acquisition;
- ◆ Liu Yong, a former executive director of National Agricultural Holdings Limited, and Chiu Kam Hing Kathy and Fan Chung Yue William, both former independent non-executive directors of the company, to disqualify them from being a director or taking part in the management of any corporation in Hong Kong for three years, 20 months and 20 months, respectively, after they admitted to having breached their directors' duties to the company;
- ◆ Tse On Kin, the former chairman and executive director of Kong Sun Holdings Limited and China Sandi Holdings Limited, to disqualify him from being a director or taking part in the management of any corporation in Hong Kong for 10 years and to pay compensation of around \$2.2 million to Kong Sun, being the profit he made in breach of his fiduciary duty owed to Kong Sun, after he admitted that he had devised a fraudulent scheme to conceal his interests in the companies' share placements and obtained a secret profit. He was also ordered to pay our costs in the proceedings;
- ◆ Nicholas Chiu Sai Chuen, a former independent non-executive director of China Candy, to disqualify him from being a director and being involved in the management of any listed or unlisted companies for three years, after Chiu admitted he acted negligently in discharging his duties as a director. He was also ordered to pay our costs in the proceedings; and
- ◆ Chan Wai Shing, former chief financial officer (CFO) and company secretary of Fuguiniao Co., Ltd, to disqualify him from being a director of any corporation or being involved in the management of any listed corporation in Hong Kong for two years, after Chan admitted that he failed to discharge his duties as the CFO of Fuguiniao. He was also ordered to pay our costs in the proceedings.

⁶ Under section 214 of the SFO, the court may make orders to disqualify a person from being a director or being involved, directly or indirectly, in the management of any corporation for up to 15 years or any other orders it considers appropriate.

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- ◆ In a case where we commenced legal proceedings under section 214 of the SFO against Leung Anita Fung Yee Maria, a former chief executive officer and executive director of SMI Culture & Travel Group, to seek a compensation order for losses suffered by SMI Culture as a result of a suspected fraudulent scheme, we obtained an interim order at the CFI to require Leung to notify us before disposing of her various land properties. The loss suffered by SMI Culture through purchases of overpriced assets was estimated to be \$235 million, while the unjust profits gained by the suspected fraudsters ranged from \$35 million to \$74 million. The interim order was given pending the determination of our injunction application in respect of the assets held by Leung.
- ◆ In a case where we commenced legal proceedings to seek disqualification orders against the former chairman and two other former executive directors of Tech Pro Technology Development Limited for breaching their duties owed to the company, we have set the case down for trial at the CFI.
- ◆ We directed SEHK to suspend dealings in the shares of LET Group Holdings Limited and Summit Ascent Holdings Limited under the Securities and Futures (Stock Market Listing) Rules with effect from 14 February 2024 due to concerns regarding a very substantial disposal of a major asset of LET and Summit Ascent and the conduct of the two companies and their management.
- ◆ We collaborated with SEHK in an enforcement action that led to SEHK's disciplinary action against Singapore-residing Aris Goh Leong Heng (Goh) and Anita Chia Hee Mei (Chia), two former directors of GEM-listed Global Uin Intelligence Holdings Limited for misappropriating Global Uin Intelligence's assets through a rerouting arrangement. SEHK publicly censured them and issued the Director Unsuitability Statement against them. Our investigation into the suspected misappropriation by Goh and Chia is still ongoing.

Taking resolute action against intermediary misconduct

During the year, we disciplined 12 corporations and 14 individuals⁷, resulting in total fines of \$49.9 million. Key disciplinary actions included the following:

Mishandling client assets

- ◆ We reprimanded China On Securities Limited and fined it \$6 million for failing to act within the scope of its client's authority and adequately safeguard the client's assets when acting as a placing agent of shares in Hon Corporation Limited.
- ◆ We reprimanded Changjiang Asset Management (HK) Limited and fined it \$3.4 million for regulatory breaches in relation to the segregation of client money and provision of account statements to clients.
- ◆ We reprimanded Ruifeng Securities Limited (RSL) and fined it \$5.2 million for failures relating to its fund management activities and account opening procedures. We also suspended the licence of Fang Zhi for failing to discharge his duties as a responsible officer of RSL in charge of its fund management activities.

⁷ Comprising seven responsible officers/managers-in-charge, three licensed representatives, one person involved in the management of the business of a licensed corporation and one relevant individual of a licensed bank in Hong Kong.

Internal control deficiencies

- ◆ We revoked the licence of Axial Capital Management Limited for repeated failures to comply with the SFO, the Securities and Futures (Financial Resources) Rules and the Code of Conduct for Persons Licensed by or Registered with the SFC (Code of Conduct). We also suspended the licence of Eugene Chung, a responsible officer of Axial and member of the senior management of Axial, for five years for failing to discharge his duties.
- ◆ We reprimanded Chee Tak Securities Limited and fined it \$2 million for internal control deficiencies and regulatory breaches. We also suspended the licences of Kevin Chiu Koon Yu, a responsible officer and a member of the senior management of Chee Tak, for 10 months for failing to discharge his duties. Hau Bing Leung, a former account executive, faced a suspension of 15 months for allowing a third party to operate a client's account without the client's written authorisation and carrying out personal trades in the client's account.
- ◆ We reprimanded PICC Asset Management (Hong Kong) Company Limited and fined it \$2.8 million for failing to discharge its duties as the fund manager of a fund to ensure that its investments were in line with its stated investment strategy, objectives and investment restrictions and to implement adequate and effective internal controls for the fund's risk management.
- ◆ We reprimanded Taiping Securities (HK) Co Limited and fined it \$1.3 million for failing to put in place adequate and effective internal controls to monitor employee dealings.

Sponsor failures

- ◆ We reprimanded and fined Changjiang Corporate Finance (HK) Limited (CCF) \$20 million for failure in discharging its duties as the sponsor in six applications to list on SEHK. We also partially suspended CCF's licence to act as a sponsor for listing applications on SEHK for one year or until we are satisfied with its related controls and procedures. Ivan Chan Chuk Cheung, a former responsible officer of CCF, was also banned from re-entering the industry for seven years for failing to discharge his supervisory duties as a sponsor principal in charge of five listing applications.
- ◆ We banned Tsang Kwong Fai, a former responsible officer and senior management member of RaffAello Capital Limited, from re-entering the industry for two years for failing to discharge his supervisory duties as a sponsor principal.

AML/CFT-related breaches

- ◆ We reprimanded China Industrial Securities International Brokerage Limited and fined it \$3.5 million for internal control failures relating to monitoring suspicious trading activities and recording client order instructions.
- ◆ We reprimanded Lion Futures Limited and fined it \$2.8 million for failing to comply with anti-money laundering (AML) and counter-terrorist financing (CFT) and other regulatory requirements.

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Other disciplinary actions

Other regulatory breaches and criminal convictions

Company/Name	Breaches/Convictions	Action/Fine	Date
Lam Ching Chiu	Conviction of bribery offences	Banned from re-entering the industry for five years	06.02.2024
Wong Siu Fung	Conviction of bribery offences	Banned from re-entering the industry for five years	06.02.2024
Central Wealth Securities Investment Limited	Failed to comply with the Securities and Futures (Financial Resources) Rules	Reprimanded and fined \$1 million	18.12.2023
Amy Chow Bik Sum	Conviction of bribery offence	Banned from re-entering the industry for life	13.12.2023
Xie Yangxiong	Provided false and misleading financial information about licence applications of two firms, failed to sufficiently maintain the firms' liquid capital and notify the SFC of the firms' liquid capital deficits	Banned from re-entering the industry for life	06.06.2023
Law Chi Kin Peter	Took part in a stock manipulation scheme	Banned from re-entering the industry for 10 years and fined \$535,500	26.04.2023
Ninety One Hong Kong Limited	Conducted dealings in futures contracts without the required licence	Reprimanded and fined \$1.4 million	04.04.2023

Other notable cases

The Securities and Futures Appeals Tribunal affirmed our decision to ban Calvin Choi Chi Kin, a former managing director of UBS AG, from re-entering the industry for two years for breaching the Code of Conduct and the Corporate Finance Adviser Code of Conduct.

We obtained an order from the CFI to appoint two administrators to administer the property of Vantage New Generation Securities Limited, including assets held by the firm on behalf of its clients or third parties, as well as to manage the affairs of the firm.

We commenced legal proceedings in the CFI to inquire into non-compliance by AMTD Global Markets Limited⁸ and its former executives with our notices issued under section 183 of the SFO concerning initial public offering-related investigations.

⁸ Currently known as orientiert XYZ Securities Limited.

The MMT sanctioned Mayer Holdings Limited (Mayer) and nine of its former senior executives for failing to disclose inside information as soon as reasonably practicable as required under the SFO and ordered them to pay a total fine of \$4.65 million. The nine former senior executives were also disqualified for 20 to 30 months and ordered to attend an SFC-approved training programme on compliance with corporate disclosure requirements under the SFO, directors' duties and corporate governance. The MMT further recommended the AFRC to take disciplinary action against Mayer's former company secretary and financial controller.

In June 2022, the Court ordered Maxim Capital Limited and Maxim Trader to pay qualifying investors of the Maxim Fund following legal proceedings brought by the SFC under section 213 of the SFO⁹. In September 2023, the CFI granted our application to extend the cut-off date for investors to make claims relating to investment schemes operated by Maxim Capital Limited and Maxim Trader in Hong Kong by 30 November 2023 (Maxim Fund). The original cut-off date was 23 July 2022.

Restriction notices

During the year, we issued restriction notices to 19 securities brokerage companies prohibiting them from disposing of or dealing with certain assets held in their client accounts which are related to suspected ramp and dump scam or other misconduct.

Regulatory collaboration

First SFC and AFRC joint statement

As part of our enhanced collaboration in the regulation of the securities and futures markets in Hong Kong, we issued the first joint statement with the AFRC in July 2023, addressing an observable increase in cases of listed issuers channelling corporate funds to third parties as "loans" in dubious circumstances. These loans were often approved without sufficient commercial rationale or appropriate documentation. Listed issuers suffered significant losses when these loans became unrecoverable. We set out in the joint statement the conduct standards and practices that listed issuers, their directors, audit committees and auditors should follow in relation to loans and similar arrangements.

We will continue to work with the AFRC to maintain the integrity of Hong Kong's capital market and protect the interests of the investing public.

Enhancing our powers to curb misconduct

Following our consultation on proposed amendments to enforcement-related provisions of the SFO in June 2022, we published the consultation conclusions in August 2023. After having considered industry feedback, we concluded that we would proceed with the proposal to broaden the insider dealing provisions of the SFO to cover insider dealing perpetrated in Hong Kong in relation to overseas-listed securities or their derivatives. The amendments also cover insider dealing perpetrated outside of Hong Kong which involves Hong Kong-listed securities or their derivatives. Considering the complex implementation issues raised during the consultation, pending further review, we will put on hold the other two proposals concerning professional investor exemption and injunctions as well as other orders. We will continue to monitor market developments and consider a full range of options to enhance investor protection as necessary.

⁹ The SFC's investigation found that Maxim Capital Limited and Maxim Trader had solicited over 260 investors to invest more than \$170 million in investment schemes since 2013. Investors were initially able to receive monthly returns on their investments, but the payments discontinued in July 2015 and Maxim Capital or Maxim Trader informed them that their investments had been converted into shares of a company which appeared to be worthless.

Enforcement activities

	2023/24	2022/23	2021/22
S179 ^a inquiries commenced	34	31	57
S181 ^b inquiries commenced (number of letters sent)	188 (4,627)	191 (5,851)	203 (7,308)
S182 ^c directions issued	182	130	214
Investigations started	183	135	220
Investigations completed	175	164	131
Individuals/corporations charged in criminal proceedings	24	25	4
Criminal charges laid ^d	50	115	28
Notices of Proposed Disciplinary Action ^e issued	26	26	37
Notices of Decisions ^f issued	27	29	43
Individuals/corporations subject to ongoing civil proceedings	204	180	168
Compliance advice letters issued	144	113	162
Cases with search warrants executed	26	35	37

^a Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

^b Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including the identity information of the ultimate clients, the particulars and instructions relating to the transactions.

^c Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

^d The SFC brought a total of 16 criminal charges against 7 individuals. The Police brought a total of 34 criminal charges against 17 individuals for the investigations of the SFC.

^e A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

^f A notice that sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.