

# CHARLTONS

SOLICITORS



Hong Kong

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## NEW LICENSING FORMS AND MANDATORY ELECTRONIC FILINGS REQUIRED BY THE SFC

Starting from 11 April 2019, the Securities and Futures Commission (**SFC**) will require licensing applications to be made with new licensing forms<sup>1</sup>, and annual returns and notifications to be submitted electronically through the SFC Online Portal<sup>2</sup>. The SFC's Licensing Handbook<sup>3</sup> has been updated accordingly.

### New SFC Licensing Forms

On 11 February, the SFC introduced six new licensing forms<sup>4</sup>:

Form	Designed for
A	Corporate licence applicants
B	Existing licensed corporations
C	Registered institution applicants and existing registered institutions
D	Substantial shareholder applicants
E	Approved substantial shareholders

F	Associated entities of intermediaries
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The SFC has stated that the new forms are designed to assess the fitness and properness of new applicants by focusing on four major areas: (i) business profile and clientele; (ii) financial strength and sustainability of substantial shareholders; (iii) management (including corporate governance, responsible officers and managers-in-charge of core functions); and (iv) risk management and internal control measures.

Among the changes introduced in the new forms, corporate applicants will be required to provide a projection of their operating expenses incurred in the first six months after receiving their licence so that their financial soundness can be assessed. If the corporate applicant cannot cover its projected expenses with its excess liquid capital during that period, it must provide a plan to demonstrate that additional funding would be available. Another change is that substantial shareholders of the applicant may need to provide the SFC with only basic information in relation to their identity when they apply for approval. The SFC states that this is justified in cases where the applicant and the substantial shareholder have a remote relationship, such as in large groups with complex shareholding structures. Lastly, where the new forms require disclosure of investigations, disciplinary actions and civil litigation against the applicant, emphasis is placed on recent (within the past five years) or significant matters.

1 <https://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=19EC5>

2 [https://www.sfc.hk/web/html/EN/sfc\\_online\\_portal/online\\_service.html](https://www.sfc.hk/web/html/EN/sfc_online_portal/online_service.html)

3 <https://www.sfc.hk/web/EN/assets/components/codes/files-current/web/guidelines/licensing-handbook/licensing-handbook.pdf>

4 <https://www.sfc.hk/web/EN/forms/intermediaries/licensing-forms/>

Applications made with the new forms are currently accepted by the SFC. During the two-month transition period between 11 February and 11 April, both the old and the new licensing forms are acceptable for submission. However, the old forms will no longer be accepted beginning from 11 April.

Additionally, the SFC has published two self-assessment questionnaires<sup>5</sup> for corporate applicants to match their business profiles with the types of regulated activities and evaluate the soundness of their risk management and internal control measures. The questionnaires allow the SFC to identify regulatory issues at an early stage by obtaining information about corporate applicants' business profiles and confirmation of the internal control policies and procedures they have in place. One questionnaire is for all types of businesses. The other questionnaire is for specific business models: asset management, dealing in securities or futures, securities margin financing and electronic or automated trading services (applicants that engage in any of these activities should use the specific business profile questionnaire instead of the general business profile questionnaire).

## **Mandatory Electronic Submissions of Annual Returns and Notifications**

From 11 April 2019 onwards, all annual returns and notifications must be submitted electronically using the SFC Online Portal<sup>6</sup>. Currently, only individuals are required to make electronic submissions. Licensees will be required to confirm in their annual returns that they have complied with the continuous professional training requirements<sup>7</sup> for the previous calendar year.

<sup>5</sup> <https://www.sfc.hk/web/EN/forms/intermediaries/licensing-forms/>

<sup>6</sup> [https://www.sfc.hk/web/html/EN/sfc\\_online\\_portal/online\\_service.htm](https://www.sfc.hk/web/html/EN/sfc_online_portal/online_service.htm)

<sup>7</sup> <https://www.sfc.hk/web/EN/assets/components/codes/files-current/web/guidelines/guidelines-on-continuous-professional-training/Guidelines%20on%20Continuous%20Professional%20Training.pdf>

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