

# Financial Services Risk and Regulation

Regulatory updates newsletter | April 2022



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Introduction	SFC Circular on Managing the Risks of Business Email Compromise	IA Circular on Key Observations from the First ORSA Reports	SFC Circular on Handling of Client Complaints	IA Circular on the Supervisory Standards and Key Requirements on the Use of Premium Financing to Take Out Long Term Insurance Policies	HKMA Circular on Sound Practices for Customer Data Protection	Other Regulatory Updates	Glossary
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Regulatory Updates	Page Number	Banking and Capital Markets	Asset Management	Insurance
SFC Circular on Managing the Risks of Business Email Compromise	4		✓	
IA Circular on Key Observations from the First ORSA Reports	5			✓
SFC Circular on Handling of Client Complaints	6		✓	
IA Circular on the Supervisory Standards and Key Requirements on the Use of Premium Financing to Take Out Long Term Insurance Policies	7	✓		✓
HKMA Circular on Sound Practices for Customer Data Protection	8	✓		
<b>Other Regulatory Updates:</b>	9 - 10			
SFC Circulars on End-to-End Test for System relating to Hong Kong Investor Identification Regime			✓	✓
IA Circular on Applications for New Licences by Deemed Licensees and Cut-off Dates for Applications			✓	
SFC Circular on Waiver of Annual Licensing Fees				✓
IA Circular on Continuing Professional Development Requirements for Insurance Intermediaries – Assessment Period 2021/2022				✓
HKMA Revised Practice Note in relation to the Supervision of Stored Value Facility (“SVF”) Licensees		✓		
SFC Circular on Mandatory Online Submission of Licensing Applications, Notifications and Regulatory Filings			✓	
HKMA and SFC Circular on Updated Technical Specifications for Reporting on OTC Derivatives Trade Repository		✓	✓	
HKMA Circular on SME Financing Guarantee Scheme (“SFGS”) Enhancement		✓		
HKMA, SFC and IA Circulars on Public Consultation of the International Sustainability Standards Board (“ISSB”) Proposed Standards		✓	✓	✓
IA Circular on Launch of the Green and Sustainable Finance (“GSF”) Data Source Repository		✓	✓	✓
HKMA and SFC Consultation Conclusions on New Calculation Periods and Consultation on Annual Update to the List of Financial Services Providers under the OTC Derivatives Regulatory Regime		✓	✓	
IA Circular on Interpretation Notes for Module C of the Guideline on Group Supervision				✓
HKMA Circular on Facilitative Measures for Reactivation of Dormant or Suspended Mainland Bank Accounts under COVID-19 Pandemic		✓		

# Introduction



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With the continuing improvement in the COVID-19 situation of Hong Kong, it is pleased to see that various social activities have gradually resumed recently.

In this month, the regulators have remained active in providing guidance to the industry to ensure that the relevant risks and compliance issues, as identified through their ongoing supervisory efforts, are communicated to the industry in a timely manner and are being properly addressed by financial institutions accordingly.

In this edition of the newsletter, we discuss the following regulatory developments:

- On 24 March, the SFC issued a circular on managing the risks of business email compromise (“BEC”) to set out its expectations on the control mechanism that LCs should put in place.
- On 28 March, the IA issued a circular to share observations on key areas in Own Risk and Solvency Assessment (“ORSA”) Reports prepared by insurers to facilitate the industry to further enhance the quality of their risk management and ORSA processes.
- On 31 March, the SFC issued a circular on handling of client complaints to set out its expectations and recommendations on the regulatory standards of complaint handling.
- On 1 April, the IA issued a circular to clarify the supervisory standards and key requirements in the existing codes of conduct and guidelines for authorized long term insurers and licensed insurance intermediaries when carrying out their insurance operations and regulated activities with respect to the use of premium financing by policy holders.

- On 4 April, the HKMA issued a circular to share with the industry the sound practices adopted by AIs from a recent round of thematic examinations, which assessed the adequacy and effectiveness of AIs’ customer data protection controls.

There are also other regulatory updates from the HKMA, SFC and IA in this period, which are highlighted in this edition.

We hope you find our summary of these regulatory updates useful. We look forward to your feedback.

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# SFC Circular on Managing the Risks of Business Email Compromise



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On 24 March, the SFC released a Circular to Licensed Corporations (“LCs”) on managing the risks of business email compromise (“BEC”).

The circular was issued due to recent reports from LCs in relation to cyber fraud – specifically where fraudsters impersonated known business contacts to deceive staff into transferring money or disclosing sensitive or confidential information to them without the consent of the relevant client party.

In the Circular, the SFC set out its expectation on the control mechanisms that LCs should put in place for managing and mitigating the risk of BEC, and also described examples of common market practice.

### Examples of BEC scenarios and threats

- In the BEC cases reported, it was noted that fraudsters would commonly impersonate a client or a vendor by using an email address that resembled the real one - and would instruct the LC to perform certain legitimate actions such as executing trades on stock sales, providing statements of clients’ accounts, transferring clients’ funds to certain banks, or transferring the LC’s funds to settle payments, etc. These instances of BEC highlighted the LC’s failure to verify and check the identities of the email senders.
- In situations where fraudsters are able to assume control of a client’s email account, a request for a second email confirmation might not be sufficient

to prevent BEC threats, even when the LC’s staff identify irregularities in the fraudulent email address. LCs should maintain up-to-date client contact records to ensure that staff are able to perform these verifications.

- Repeated bank rejections of transfers are also red flags that should place an LC on alert. LCs should put on hold performing all related transfer requests and take prompt actions to verify the authenticity of instructions.

### Control measures

- When verifying email instructions, a LC’s staff should contact clients by calling their registered phone numbers (per official records) and if necessary, confirm by way of video conference or a physical meeting. Relying purely on contact information provided in email instructions may undermine the effectiveness of counter-BEC measures.
- In relation to funds transfer and order placing, LCs could set thresholds on transaction sizes so that such requests must go through certain confirmation procedures. BEC control may be strengthened by installing surveillance tools to screen out fraudulent emails and detect unauthorised access to internal networks and systems.
- For requests on amendments to particulars, LCs

should require clients to provide signed written instructions and LCs should subsequently send acknowledgement notifications to the specified telephone numbers, emails and addresses provided by clients when requests are received and when amendments are made.

- Deviations from normal practice such as transferring a significant sum to an overseas bank account, making an immediate payment on an urgent request, and receiving repeated transfer rejections from banks, etc are all red-flags that should be observed. It is in the LC’s interest to foster a culture of red flags reporting in the long term. Appropriate steps should be taken by LCs to formulate responses in dealing with abnormal email instructions. Internal guidance should be in place such that staff can promptly escalate issues when facing BEC risks.

It is the LC’s role to ensure sufficient internal control policies and procedures are in place for managing BEC risks. Regular training should be provided to staff so that they are more alert to risks and are able to react appropriately when faced with situations involving BEC threats.

### Additional Reading

[SFC circular on managing the risks of BEC](#)

[Annex – Examples of business email compromise](#)

# IA Circular on Key Observations from the First ORSA Reports



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On 28 March, the IA issued a circular to share observations on key areas in Own Risk and Solvency Assessment (“ORSA”) Reports prepared by insurers with a view to enhancing the quality of risk management and ORSA processes. These include:

## **Board Involvement**

- Insurers generally provided sign-off evidence from the Board or Risk Committee level. However, IA expects insurers are able to demonstrate that the Board has engaged in steering thorough deliberations of the ORSA outcomes for strategic and other business decision-making. It may include a summary of key conclusions reached and the actions taken or planned that should be provided in the ORSA Report.
- It was observed that some general insurers included attestation by an external actuarial consultant. Notwithstanding that external support may be sought on certain technical estimations or projections, insurers are reminded that the ownership of Target Capital setting remains with the Board. The Board should be ultimately responsible for the financial and capital adequacy conditions of the insurer.
- A few insurers expressed that they had not yet incorporated the ORSA results for business decision, but planned for this when the RBC requirement comes into force. On this, insurers are reminded to take a forward-looking view on capital management under the ORSA process.

## **Communication with Stakeholders**

- It was observed that some insurers provided only statement of compliance with GL21. IA suggests that improvement should be made to the content of executive summary. The executive summary

should be concise and comprehensive for communicating key findings and action plans to the Board and other users of the report, and should allow readers to become acquainted with information such as risk profile, solvency and perhaps liquidity positions (current and forward-looking) and linkage with business strategy and material actions taken over the period.

## **Breadth and Depth in Risk Identification and Risk Assessment**

- It was observed that most insurers did not assess on emerging risks, such as climate risk. IA encourages that insurers to start conducting assessment on any potential impact on emerging risks.

## **Risk Appetite Statement (“RAS”) and Risk Limits**

- Some insurers provided RAS and risk limits for various risk types. However, it is not clear from some of the ORSA Reports as to whether the RAS and risk limits have been covered for all significant risks as identified in other parts of the ORSA. In addition, some insurers did not define RAS and limits explicitly in respect of capital adequacy which is an inextricable part of the ORSA. Coincidentally, these insurers generally did not have well-defined Target Capital.
- Some insurers provided RAS and risk limits that were found too generic without qualitative or quantitative interpretation.
- Some insurers adopted the RAS set at group level, which would drive high risk tolerance and thus not effective in identifying and monitoring risk at Hong Kong operations level. While the RAS should be proportionate to the scale and complexity of the insurers, insurers are expected to consider

appropriate RAS of material risks for the Hong Kong operations.

## **Target Capital**

- It was observed that insurers had different interpretations of Target Capital. Target Capital should be the capital that an insurer intends to maintain, having due considerations outlined in paragraphs 6.2.3 to 6.2.5 of GL21. Firstly, the Target Capital should be clearly linked to the RAS on capital adequacy. Secondly, where there are material risks not covered or not adequately covered by regulatory capital requirements, considerations should be taken to quantify those risks in the Target Capital. Thirdly, IA expects insurers to explain how the Target Capital level is determined which should be at a level where they can meet capital needs based on the full range of risks to which it is exposed.
- A few insurers did not calibrate their Target Capital, for reason that the RBC capital requirements have not yet come into force. Whilst the RBC framework has not yet come into force, as mentioned in paragraph 1.3, the ORSA should be made in a forward-looking view and therefore insurers are strongly encouraged to form a view on Target Capital under RBC requirements.

There are also other observations in relation to stress and scenario testing, recovery plan, independent review of the effectiveness of ORSA and scope of entities.

## **Recommended Reading**

[Key Observations from the First ORSA Reports](#)

[Annex - Key Observations from the First ORSA Reports](#)

# SFC Circular on Handling of Client Complaints



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On 31 March, the Securities and Futures Commission (“SFC”) released a Circular to Licensed Corporations (“LCs”) regarding the handling of client complaints.

The Circular was issued following a large number of complaints received by the SFC against intermediaries relating to market activities in recent years. The Circular is aimed at improving an LC’s complaint handling procedures.



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First, the SFC reminded LCs of their obligation to comply with the requirements under (a) paragraph 12.3 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission and (b) part V (5) of the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission, when handling client complaints.

The SFC then set out its expectation and recommendations on the regulatory standards under 6 focus areas of complaint handling:

## **Management oversight and complaint handling policies and procedures**

- Complaint handling policies and procedures should be updated and reviewed regularly and on a timely basis by senior management to reflect any material changes in organisation structure and business model.
- Complaint analysis reports are recommended to be prepared. The reports should cover areas such as complaints type, response time, investigation results and remedial measures so that internal control loopholes, emerging risks and systemic issues can be identified.



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## **Disclosure of complaint handling procedures**

- Complaint handling procedures should be disclosed to clients in clear and understandable language, and in particular, the ways that complaints may be lodged. LCs should also let clients know the expected time frame for the issuance of an acknowledgement and subsequently, the final response to the complaint.

## **Identification and escalation of complaints**

- LCs should set out guidelines to help staff identify indicators that would differentiate complaints from general expression of opinions. Serious complaints should be handled first and reported to the SFC. Examples of serious complaints include misappropriation of client assets, unauthorised trading, mis-selling of investment products, prolonged malfunctions of trading system, and significant financial losses to LCs and clients, etc.
- Reports should be made to senior management in a timely manner when non-compliance or breaches are identified. LCs should also adopt measures such as regular sample-checking of tape recordings or telephone conversations to pick up unidentified complaints.

## **Investigation of complaints**

- Where the complaints concern clients other than the complainant, thorough investigation should be conducted regardless of whether the other affected clients have filed a complaint. For recurring problems, LCs should identify the root cause and remedy the issue. Further, guidelines to determine when and how a complaint can be closed should be developed and these should be applied consistently to ensure fairness.

## **Communication of outcomes to clients**

- After the investigation, LCs are expected to promptly articulate and explain the outcome to the complainants and let them know if compensation is due to them. LCs should also inform complainants about their right to refer their cases to the Financial Dispute Resolution Centre if they find the outcome unsatisfactory.

## **Record keeping**

- Detailed records of complaints, including follow-up actions involving client assets, should be kept in the form of a register and made available upon request by the SFC. LCs have flexibility to decide on the level of details of records to be retained with consideration to the sufficiency in fulfilling regulatory requirements and cost effectiveness.

In the SFC’s closing remarks, LCs were reminded that frequent complaints against LCs would indicate deficiency in internal controls, conduct, operational capabilities and management supervision. The SFC added that senior management of LCs must ensure that appropriate procedures and reporting systems are in place to process complaints and that clients are kept informed about the LC’s complaints policies and procedures.

## **Additional Reading**

[SFC circular on the handling of client complaints](#)

[Appendix](#)

# IA Circular on the Supervisory Standards and Key Requirements on the Use of Premium Financing to Take Out Long Term Insurance Policies



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On 1 April, the IA issued a circular to clarify the supervisory standards and key requirements in the existing codes of conduct and guidelines for authorized long term insurers (“insurers”) and licensed insurance intermediaries (“insurance intermediaries”) when carrying out their insurance operations and regulated activities with respect to the use of premium financing by policy holders (“customers”).

The circular covers the following areas:

## **Affordability assessment in respect of premium financing**

As required under Paragraph 6.11 of GL30, the source of funds of the customer must be duly considered to ensure that the customer can afford the recommended product(s). Insurers and insurance intermediaries should therefore take reasonable steps to ascertain whether the customer is purchasing the life insurance policy using premium financing.

If the customer has indicated that premium financing is intended to be used, Paragraph 6.11 of GL30 stipulates that the insurance intermediary must take that into account when assessing the customer’s ability and willingness to pay insurance premiums.

To comply with the above requirement, insurance intermediaries without access to the information regarding the premium financing facility should ask for and obtain such information from the customer. If the customer refuses to disclose such information, the insurance intermediary should perform the affordability assessment as if the customer is not

acquiring the proposed policy using premium financing (i.e. the total premium is to be funded entirely by the customer’s own funds).

## **Additional measures for customers with risk of over-leveraging**

As part of the suitability and affordability assessment, the insurance intermediaries should also assess whether customers using premium financing face a risk of overleveraging, and if so, take that into account for the purpose of GL30. The insurance intermediaries should not recommend a policy that would amount to risk of over-leveraging unless there is sufficient justification. The justification should be clearly explained to the customer and documented as part of the reasons for recommendation of the policy.

## **Disclosures**

The Important Facts Statement – Premium Financing (“IFS-PF”) should be completed for every new insurance policy application where the customer intends to use premium financing. Insurance intermediaries are required to fully explain the contents of the IFS-PF to customers, as soon as they are made aware of the customers’ interest in the use of premium financing. In any event, the IFS-PF must be duly completed, signed and dated by the customer prior to policy issuance.

## **Sales practice, training and other aspects**

Insurers are reminded to adhere to the principle of “fair treatment of customers” when designing products and underwriting insurance policies. In doing so, insurers are required to take a holistic view of all

relevant factors when carrying out the diligent review in the product design stage, as required under Paragraphs 5.1 and 5.2 of GL16. Similarly, insurance intermediaries are reminded to apply the same principle in their product due diligence process, where applicable.

On 1 April, the HKMA issued a circular to all AIs to draw their attention to the circular issued by the IA. AIs (and their subsidiaries as appropriate) should review and make necessary enhancements to their policies, procedures, controls and monitoring relating to premium financing activities, and provide sufficient training to their staff to ensure compliance with relevant standards and requirements.

## **Additional Reading**

[Circular on the supervisory standards and key requirements on the use of premium financing to take out long term insurance policies](#)

[Important Facts Statement - Premium Financing \(“IFS-PF”\)](#)

[HKMA Circular on Use of Premium Financing to take out Long Term Insurance Policies](#)

# HKMA Circular on Sound Practices for Customer Data Protection



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On 4 April, the HKMA issued a circular to share with the industry some sound practices with respect to customer data protection observed from a recent round of thematic examinations. The objective of the examinations was to assess the adequacy and effectiveness of AIs' customer data protection controls.

As stated in the relevant Supervisory Policy Manual modules and other supervisory documents, including "TM-E-1 Risk Management of E-banking" and "Cyber Resilience Assessment Framework (C-RAF) 2.0", AIs are expected to put in place effective measures to prevent and detect the loss or leakage of customer data throughout the data lifecycle, including classification, access, storage and transmission.

In the course of the examinations, the HKMA has observed some sound practices for customer data protection, which are summarised into four areas below:

## Data governance

- AIs are expected to put in place proper governance frameworks encompassing risk management process and data security strategy over customer data protection. To this end, some AIs have developed a customer data governance framework to i) define the roles and responsibilities of data owners and the three lines of defence; and ii) evaluate the adequacy and effectiveness of the AIs' control practices for customer data protection. The board and senior management oversee the development of the AI's data protection strategy and endorse the relevant customer data governance framework.

## Customer data inventory management

- AIs should identify and document the locations of their customer data residing in different parts of AIs' networks, systems and premises. A comprehensive customer data inventory provides visibility of the customer data in custody and enables AIs to better manage the risk of data loss or leakage. Some AIs have developed clear policies and procedures for maintaining and updating an effective customer data inventory. The customer data inventory of these AIs is regularly reviewed to ensure completeness and accuracy.

## Controls over transmission and storage of customer data

- AIs should adopt effective security measures to minimise the risk of data breach when handling customer data in transit, at rest and at end of life. Many AIs have developed data loss prevention (DLP) policies and measures for protecting customer data. These policies and relevant rules of DLP, such as coverage and thresholds for alert and monitoring, are approved by senior management and regularly updated to reflect changing business operations. DLP measures are implemented for internal and external communications (e.g. email, cloud storage service and file transfer protocol). Some AIs have also set up monitoring mechanisms on network traffic to detect suspicious activities.

- AIs should take effective measures to address the risk of unauthorized downloading of customer data to portable storage media. It is observed that AIs have deployed appropriate security controls including strong encryption and restriction on portable storage media to protect the confidentiality and integrity of customer data stored in these media. Some advanced AIs perform testing of customer data protection controls periodically to assess their effectiveness.

## Physical and logical security controls of customer data

- AIs should implement proper physical and logical security controls to prevent customer data from unauthorized access or theft. Many AIs have put in place security controls and multi-factor authentication for premises and systems where massive customer data are processed or stored.

## Recommended Reading

[Sound practices for customer data protection](#)

[Annex - Sound practices for customer data protection](#)

## Other Regulatory Updates

### SFC Circulars on End-to-End Test (“E2E Test”) for system relating to Hong Kong Investor Identification Regime (“HKIDR”)

On 18 March, the SFC issued a circular to announce that a mandatory E2E Test will commence between mid-May and June 2022 for Relevant Regulated Intermediaries (“RRIs”) to prepare for the implementation of the HKIDR. The E2E Test will cover (i) the submission of the BCAN-CID Mapping File (details were previously explained in a SFC Circular on 13 September 2021 and Reporting Forms to the Stock Exchange of Hong Kong’s (“SEHK”) data repository and (ii) the test on “Broker-to-Client Assigned Number” tagging for order submission to the SEHK trading system.

On 31 March, the SFC issued a circular to announce the publication of E2E Test packages by the SEHK and the relevant download procedures. To participate in the mandatory E2E Test, responsible officers of the relevant licensed corporations and executive officers of the relevant registered institutions are reminded to apply for a test account.

On 21 April, the SFC issued a circular to announce that the E2E Test for systems relating to the HKIDR will commence from 16 May 2022 until 15 July 2022. It is mandatory for all RRI to participate in the E2E Test.

### IA Circular on Applications for New Licences by Deemed Licensees and Cut-off Dates for Applications

On 21 March, the IA issued a circular to provide an update on the processing of the applications for new licenses by deemed licensees. The IA has completed over 80% of the applications, while around 11% of deemed licensees have yet to submit their applications (or inform the IA of their intention not to). The IA also announced the cut-off dates by which the remaining applications by deemed licensees for new licences should be submitted to the IA.

### SFC Circular on waiver of annual licensing fees

On 25 March, the SFC issued a circular to announce the waiver of annual licensing fees of all intermediaries and licensed individuals incurred during the period from 1 April 2022 to 31 March 2023. The SFC

will not issue the usual demands for payment for annual licensing fees which would ordinarily become payable during this one-year period. Payments of all other fees, including for licence applications and transfers, will not be affected.

### IA Circular on Continuing Professional Development (“CPD”) Requirements for Insurance Intermediaries – Assessment Period 2021/2022

On 25 March, the IA issued a circular to announce the following changes to the CPD requirements for assessment period 2021/2022:

- The number of CPD hours which an individual licensee is required to complete for the Assessment Period 2021/2022 (i.e. by 31 July 2022) is reduced by 3 CPD hours from 15 CPD hours to 12 CPD hours;
- Travel agents (i.e. individual licensees with licences for restricted scope travel insurance business only) are not required to earn any CPD hours for the Assessment Period 2021/2022; and
- The cap on the number of CPD hours that can be obtained through Type 1 and Type 7 E-learning Activities for each Assessment Period is lifted permanently.

### HKMA Revised Practice Note in relation to the Supervision of Stored Value Facility (“SVF”) Licensees

On 25 March, the HKMA updated the Practice Note in relation to the supervision of supervision of SVF licensees. The key updates focus on: (i) Management of Float and SVF Deposit and (ii) Specific Risk Management measures for new payment channels (e.g. Contactless payments), enhanced payment security controls and identity authentication.

Among the management and float and SVF deposit, the licensee should consult the HKMA before implementing any significant changes to the system. It should also establish adequate policies and procedures on how surplus/buffer was determined (i.e. factors and formulas) for the refund of the float and SVF deposit to all SVF users at all times. Where

there is shortfall between the accounts for holding the assets of the float and SVF deposit and those in the ledger system, the licensee should escalate the case to senior management and HKMA promptly and with no undue delay.

### SFC Circular on Mandatory Online Submission of Licensing Applications, Notifications and Regulatory Filings

On 28 March, the SFC issued a circular to remind intermediaries and licensed individuals that online submission of corporate license applications would become mandatory from 1 April 2022. The SFC has launched a fully digitalized licensing platform via WINGS on 3 January 2022 and has continued to accept paper corporate application forms until 31 March 2022. With the three-month transition expiring, any paper licensing forms submitted to the SFC on or after 1 April 2022 will be returned.

### HKMA and SFC Circular on Updated Technical Specifications for Reporting on OTC Derivatives Trade Repository

On 29 March, the HKMA issued a circular to announce that a revised version (2.0) of the Administration and Interface Development Guide (“AIDG”) for reporting is published to update the technical specification under the OTC derivatives trade repository of the HKMA (“HKTR”). The revised AIDG also covers updates of coding schemes supported in the HKTR reporting templates and corresponding changes in some business validation rules.

Amid the operational challenges reporting entities may face under the current pandemic situation, the implementation date of updates to coding 1 schemes to cover “Proprietary rates” will be postponed from the originally scheduled 31 March 2022 to 19 December 2022.

The SFC also issued a circular to remind Licensed Corporations that may be subject to mandatory OTC derivatives trade reporting obligations to refer to the new notice by the HKMA.

## Other Regulatory Updates

### HKMA Circular on SME Financing Guarantee Scheme (“SFGS”) Enhancement

To further alleviate the cash flow pressure of small and medium-sized enterprises in the time of the pandemic, the Financial Secretary announced in the 2022-23 Budget that the maximum loan amount per enterprise under the Special 100% Loan Guarantee will be raised from the total amount of employee wages and rents for 18 months to that for 27 months, subject to a ceiling of HK\$9 million (originally HK\$6 million), and the maximum repayment period will be extended from eight years to 10 years. Eligible enterprises should have been operating for at least three months as at 31 March 2022, and have suffered at least a 30% decline in sales turnover in any month since February 2020 compared with the monthly average of any preceding quarter from January 2019 to March 2022.

In addition, the principal moratorium arrangement for the 80% Guarantee Product, the 90% Guarantee Product and the Special 100% Loan Guarantee of the SFGS will be extended by six months to a maximum of 30 months in total. An option for borrowers to resume making partial principal repayment for one year will be provided, allowing borrowers to resume normal repayment gradually if they are willing and capable.

HKMC Insurance Limited announced that these enhancements to the SFGS will take effect from 1 April.

### HKMA, SFC and IA Circulars on Public Consultation of the International Sustainability Standards Board (“ISSB”) Proposed Standards

On 31 March, the ISSB has published the proposed general requirements for disclosure of sustainability-related financial information and the climate disclosure requirements. The proposed standards are built on the recommendations of the Task Force on Climate-related Financial Disclosures and are intended to form a comprehensive and effective global baseline of investor-focused sustainability disclosures.

The ISSB is seeking feedback through a public consultation process and

aims to finalise the standards by the end of 2022. The Green and Sustainable Finance Cross-Agency Steering Group encourages the financial sector, listed companies and all interested stakeholders to participate in the ISSB consultation.

### IA Circular on Launch of the Green and Sustainable Finance (“GSF”) Data Source Repository

The Centre for Green and Sustainable Finance under the Green and Sustainable Finance Cross-Agency Steering Group has launched the GSF Data Source Repository. The repository contains a set of available data sources for assisting climate risk management and other green and sustainable finance related analysis and research. It was compiled based on current industry practice and it is not exhaustive. The data sources in the repository were mainly produced by reputable international organisations, governments, academic institutions and not-for-profit organisations.

### HKMA and SFC Consultation Conclusions on New Calculation Periods and Consultation on Annual Update to the List of Financial Services Providers under the OTC Derivatives Regulatory Regime

On 1 April, the HKMA and the SFC issued joint consultation conclusions on the addition of new calculation periods under the OTC derivatives regulatory regime. Proposed legislative amendments to the Clearing Rules for adding eight calculation periods will be submitted to the Legislative Council for negative vetting. The amended rules are expected to come into effect on 1 March 2023, subject to the legislative process.

The HKMA and the SFC also issued a joint consultation on the annual update to the list of Financial Services Providers (FSP List) under the OTC derivatives clearing regime. Interested parties are invited to submit comments on the proposed revision to the FSP List to the HKMA or SFC by 14 May 2022.

### IA Circular on Interpretation Notes for Module C of the Guideline on Group Supervision

On 13 April, the IA issued a set of Interpretation Notes for Module C of the Guideline on Group Supervision to supplement the guidance provided to designated insurance holdings companies in Module C of the Guideline on Group Supervision (“GL32”) on the Insurance (Group Capital) Rules (Cap. 410 of Laws of Hong Kong) (“Group Capital Rules”) which the IA made under sections 95ZI and 129 of the Insurance Ordinance (Cap. 41).

The Interpretation Notes set out the IA’s views as to how certain provisions of the Group Capital Rules operate for different group structures with a specific focus on removal of double-counting by reference to illustrative examples.

### HKMA Circular on Facilitative Measures for Reactivation of Dormant or Suspended Mainland Bank Accounts under COVID-19 Pandemic

The HKMA has received feedback from members of the public that their bank accounts maintained on the Mainland (“Mainland bank accounts”) have become dormant or have been suspended for various reasons, and they are facing difficulties in reactivating their Mainland bank accounts by visiting the banks’ branches on the Mainland in person due to the travel restrictions amid the COVID-19 pandemic situation.

Having communicated with the relevant Mainland authorities, on 14 April, the HKMA issued a circular to encourage authorized institutions to introduce facilitative measures to assist affected customers to reactivate their Mainland bank accounts, especially during the current pandemic situation for the benefit of the community. The circular also provides clarifications for AIs in the offering of assistance to the affected customers.

## Glossary

AI	Authorised Institutions	ICO	Initial Coin Offering
AML	Anti-Money Laundering	IFRS	International Financial Reporting Standard
BC	Basel Committee	IOSCO	International Organization of Securities Commission
BCBS	Basel Committee on Banking Supervision	IR-1	Interest Rate Risk Management
CFT	Counter-Financing of Terrorism	IRR	Interest Rate Risk
CG-1	Corporate Governance of Locally Incorporated Authorized Institutions	IRRBB	Interest Rate Risk in the Banking Book
FATF	Financial Action Task Force	LC	Licensed Corporation
FinTech	Financial Technology	LIBOR	The London Inter-bank Offered Rate
FMCC	Fund Manager Code of Conduct	MAS	Monetary Authority of Singapore
FI	Financial Institutions	MRF	Mutual Recognition of Funds
FSB	Financial Stability Board	MoU	Memorandum of Understanding
HKMA	The Hong Kong Monetary Authority	RO	Responsible Officer
IA	The Insurance Authority	RE-1	Recovery Planning
IAF	Internal Audit Function	SFC	The Securities and Futures Commission
IC-1	Risk Management Framework	SFO	Securities and Futures Ordinance
IC-2	Internal Audit Function	SPM	Supervisory Policy Manual

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