



Hong Kong April 2026 Regulatory Update

Hong Kong's regulators have been active across enforcement, licensing and policy in April 2026. On the disciplinary front, the SFC has pursued three significant actions: it has commenced Court of First Instance proceedings under section 214 of the SFO against former officers of China Automotive Interior Decoration Holdings Limited and its subsidiary Giant Faith, seeking disqualification orders and a HK\$14.6 million compensation order in connection with alleged fictitious Mainland trade payments; it has reached a landmark agreement with PricewaterhouseCoopers Hong Kong under which the auditors will set aside HK\$1 billion to compensate eligible independent minority shareholders of China Evergrande Group following findings of materially false and misleading financial statements for the 2019 and 2020 fiscal years — the first time auditors of a company in liquidation have agreed to compensate minority shareholders; and it has reprimanded and fined Impression Investment Limited HK\$2 million for systemic failures in supervising staff personal account dealing, imposing an eight-month industry ban on its former responsible officer Mr Liu Shan. Beyond enforcement, this update addresses the HKMA's grant of the first stablecoin issuer licences under the Stablecoins Ordinance, the SFC's ASPIRe digital asset roadmap progress and the SFC Chairman's remarks on AI and the future of licensed intermediary competence.

Hong Kong SFC Launches Section 214 SFO Action: Disqualification and HK\$14.6 Million Compensation Sought against former China Automotive Officers for Fictitious Mainland Trade Payments

The Hong Kong Securities and Futures Commission (SFC) has initiated legal proceedings under section 214 of the Hong Kong Securities and Futures Ordinance (SFO) against a former director of listed China Automotive Interior Decoration Holdings Limited (China Automotive) and its subsidiary Giant Faith Holdings Limited (Giant Faith) and the former general manager of Giant Faith for alleged breaches of fiduciary duties involving purported fictitious transactions and wrongful payments.

According to the SFC's announcement, '[SFC commences legal proceedings against former senior executives of China Automotive Interior Decoration Holdings Limited and its subsidiary](#)' published on 29 April 2026, it has commenced proceedings in Hong Kong's Court of First Instance seeking disqualification orders in respect of Mr. Wong Ho Sin, a former director of China Automotive and Giant Faith, and Ms So Lung Ying, the former general manager of Giant Faith, and a HK\$14.6 million compensation order against Mr. Wong representing the loss suffered by China Automotive. The case follows the SFC's recent settlement with PricewaterhouseCoopers Hong Kong under which the auditor will set aside HK\$1 billion to compensate eligible minority shareholders of Evergrande and the HK\$2 million fine imposed on Impression Investment Limited for failing to properly supervise staff trading activities.

These enforcement actions signal the SFC's sustained regulatory pressure on listed company governance, related-party cash flows and Mainland trade transactions.

At the time of the incidents, China Automotive was an investment holding company listed on the Main Board of The Stock Exchange of Hong Kong Limited (**HKEX**), which with its subsidiaries (the **Group**), was principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts. The Group also conducted trading activities in rubber and food products. Giant Faith was an indirectly wholly owned subsidiary of China Automotive and one of the Group's two operating arms for trading food products.

The Alleged Misconduct: Fictitious Trade Payments to a Mainland Counterparty

The SFC's case rests on a pattern of cheque payments executed over two months. The SFC alleges that Mr. Wong signed cheques for three payments totalling HK\$14.6 million between December 2019 and January 2020 which were recorded in the Group's books as remittances to a Mainland company for food product purchases. The SFC alleges that 'these payments amount to misappropriation of corporate funds as the monies were not used to settle genuine purchases and trade payables'. Thus the reason recorded for the purchases did not reflect the commercial reality.

Section 214 SFO and Remedies Sought by SFC

Section 214 of the SFO is a key SFC tool for seeking remedies for HKEX-listed issuers governance failures. It allows the SFC to apply to the Court of First Instance for remedies in situations including where it considers that the business or affairs of an HKEX-listed corporation have been conducted in a manner that is oppressive to its members or involve defalcation, fraud, misfeasance or other misconduct, or is unfairly prejudicial to its members.

The SFC is seeking two remedies from the Court of First Instance. The first is disqualification orders preventing Mr. Wong and Ms So from acting as directors or being involved in corporate management. Section 214 SFO allows the court to disqualify a person from being a director, or from being involved directly or indirectly in the management of any corporation, for up to 15 years.

The second is monetary recovery. The SFC is seeking a HK\$14.6 million compensation order against Mr. Wong representing the loss allegedly incurred by China Automotive due to the wrongful payments routed through Giant Faith.

Hong Kong SFC Secures HK\$1 Billion Shareholder Compensation Agreement with PwC Hong Kong over China Evergrande Audit Failures: First Auditor Compensation for a Defunct Listed Issuer under Section 277 SFO

On 23 April 2026, the SFC announced its agreement with PricewaterhouseCoopers Hong Kong (PwC HK) under which PwC HK will set aside HK\$1 billion to compensate eligible independent minority shareholders of China Evergrande Group.

According to the SFC's announcement, ['SFC reaches agreement with PricewaterhouseCoopers for shareholder compensation of HK\\$1 billion regarding false financial statements of China Evergrande Group for 2019 and 2020'](#), China Evergrande overstated its revenue and profits for the 2019 and 2020 financial years: PwC HK audited the financial statements for both years. The SFC examined the role of PwC HK and concluded that there was market misconduct under section 277 of the SFO due to China Evergrande's dissemination of false and misleading financial information and serious breaches of auditors' professional duties.

Under the agreement, the SFC and PwC HK have agreed that the matter will be resolved without admission of liability, and that the SFC will take no further action against PwC HK, provided that PwC HK fulfils the terms of the agreement.

This is the first time auditors of a company in liquidation have agreed to compensate minority shareholders. The action follows cooperation with Mainland regulators including the Ministry of Finance and the China Securities Regulatory Commission.

The Parties and the HKEX-listed Issuer

China Evergrande Group (**China Evergrande**) was listed on the HKEX's Main Board in November 2009 and delisted in August 2025. Once one of the largest property developers in China, China Evergrande is currently in liquidation.

PwC HK was the auditor of China Evergrande for the fiscal years ended 31 December 2019 (**FY2019**) and 31 December 2020 (**FY2020**). PricewaterhouseCoopers Zhong Tian LLP assisted PwC HK in the audits of China Evergrande's financial statements for both years.

The SFC's investigation focused on China Evergrande's results announcements and annual reports for FY2019 and FY2020 and examined both the company's disclosures and the auditors' role.

PwC HK Agreement to Compensate

PwC HK has agreed to set aside HK\$1 billion to compensate eligible independent minority shareholders of China Evergrande. The compensation will be allocated through a process overseen by an independent administrator. The detailed provisions of the compensation process will be published in due course.

The SFC stated in its announcement that the agreement was reached 'with the ultimate objective of securing compensation for shareholders' and that 'the best interests of China Evergrande's independent minority shareholders are served by reaching an agreement with PwC HK'.

False and Misleading Statements: The SFC's Findings re. China Evergrande

The SFC determined that China Evergrande's annual reports and results announcements for FY2019 and FY2020 contained materially false or misleading information, particularly regarding revenue recognition. It found that China Evergrande manipulated its annual revenue and profits by prematurely recognising revenue from property sales before the completion and delivery of properties to buyers. The SFC concluded that this was done with the intent to substantially overstate audited annual revenue and profits.

Audited annual revenue was found to have been overstated by RMB213.9 billion (44.79%) for FY2019 and by RMB350.2 billion (69%) for FY2020. The SFC further concluded that the company's reported audited annual profit of RMB33.5 billion for FY2019 and RMB31.4 billion for FY2020 should have been losses of RMB7.12 billion and RMB19.9 billion, respectively.

Enforcement Action under Section 277 SFO

Section 277 of the SFO prohibits the disclosure of materially false or misleading information that is likely to induce investment decisions or materially affect securities prices. The provision allows the SFC to seek civil remedies for false or misleading disclosures by listed issuers and their associates. The SFC concluded that there was market misconduct due to China Evergrande's dissemination of false and misleading financial information and serious breaches of the auditors' professional duties.

PwC HK's Role: SFC's Six Findings

The SFC examined PwC HK's role as auditor and made six findings. PwC HK has not admitted these findings, and the settlement agreement was concluded on a no-admission basis. The SFC considered that PwC HK:

- in its role as auditor of China Evergrande, was concerned in the disclosure of false or misleading information, within the terms of section 277 of the SFO;
- failed to maintain auditor independence during the audits of China Evergrande's FY2019 and FY2020 financial statements;
- failed to exercise adequate professional scepticism in audit planning, performing the audit procedures and handling audit irregularities;
- failed to design and perform effective site inspections to ascertain the construction and delivery status of properties for proper revenue recognition;
- actively acquiesced to manipulation by China Evergrande's management of audit samples and site inspections which facilitated the concealment of the premature revenue recognition; and
- failed to sufficiently verify the authenticity of supporting documents and records.

Compensation Process and Reminders to Shareholders

The HK\$1 billion compensation pool is to be allocated to eligible independent minority shareholders of China

Evergrande through a process overseen by an independent administrator. Detailed provisions of the compensation process will be published in due course.

In the meantime, the SFC has reminded China Evergrande's independent minority shareholders, and their intermediaries, to retain records of transactions involving the company's shares for the purpose of making claims for compensation. Intermediaries are also reminded to provide reasonable assistance to shareholders to file their claims.

Hong Kong/China Cross-Border Regulatory Cooperation

The SFC expressed gratitude to the Ministry of Finance and the China Securities Regulatory Commission for their support and assistance during the investigation. The SFC noted that this highlights the cooperation among the three regulators in combating market misconduct and protecting the investing public.

The cross-border element is important. China Evergrande's underlying property operations and the supporting audit work conducted by PricewaterhouseCoopers Zhong Tian LLP sit within the Mainland regulatory perimeter, while the listed entity and its disclosures sit within the Hong Kong perimeter. The cooperation referenced in the announcement reflects the practical machinery through which Hong Kong-listed issuers with Mainland operations are supervised.

Strategic Outlook

The Evergrande agreement is a structural marker for Hong Kong's gatekeeper accountability framework. It establishes that the SFC will pursue auditors of defunct listed issuers for shareholder compensation, that no-admission settlements can deliver substantive monetary outcomes for affected investors, and that cross-border cooperation with Mainland regulators is now an operational feature of Hong Kong enforcement.

For directors, audit committees, audit firms, and compliance professionals across Hong Kong and the Mainland, the practical takeaway is consistent. Disclosure integrity, audit quality, and governance accountability are now front-line regulatory expectations, with shareholder compensation an available remedy where the facts support it.

Hong Kong SFC ASPIRe: Dr Eric Yip on the VA Licensing Bill, CrypTech Proof of Concept, UAE MoU and Tokenised Fund Trading on VATPs

On 20 April 2026, the Hong Kong SFC published the keynote speech '[ASPIRe in Action: Advancing Hong Kong's Digital Asset Journey](#)', delivered by Dr Eric Yip, Executive Director of Intermediaries, at the Hong Kong Web3 Festival 2026.

Dr Yip opened by marking 14 months since the SFC published the [ASPIRe Roadmap](#) in early 2025. The speech tracks delivery across the five pillars: Access, Safeguards, Products, Infrastructure, and Relationships. He further noted that the Financial Stability Board's October 2025 peer review recognised Hong Kong as a leading digital asset jurisdiction. He set out the SFC's guiding principle: 'same business, same risks, same rules' and left the audience with two messages. First, focus on the 12 ASPIRe initiatives, do not chase new ideas. Second, move from local focus to global influence and flagged the planned 2026 VA licensing bill, the CrypTech proof of concept, and the January 2026 MoU with the UAE. He also confirmed VATPs can now offer secondary on-platform trading of tokenised SFC-authorized funds. In his speech, he named three core risks for the digital economy: money laundering, cybersecurity and market manipulation.

Where Hong Kong Stands

Dr Yip noted that the ASPIRe Roadmap has been well received by market practitioners and international counterparts. He pointed to the Financial Stability Board's October 2025 peer review, which recognised Hong Kong as 'one of the few leading jurisdictions with complete and effective digital asset regulation.' He credited the progress to government leadership, market wisdom and the work of regulators.

The Guiding Principle

Dr Yip set out the SFC's regulatory philosophy in one line. He said: 'The market will always evolve faster than any regulator can write rules. This is why the SFC applies 'same business, same risks, same rules' to steer our digital-asset developments by carrying forward time-tested safeguards while enabling responsible innovation.' The principle is straightforward. Where a digital asset activity does the same job as a traditional finance activity, the same regulatory expectations apply.

Two Messages for the Audience

Dr Yip framed the speech around two clear messages.

First, he said: *'We should continue our disciplined implementation of the 12 initiatives under ASPIRe, rather than constantly chase new ideas. We progress through execution, innovate through practice, and develop through patience.'* Second, he added: *'As our regime matures, our aspiration must now move from a local focus to global influence: contributing to and setting the bar for international best practices, attracting global liquidity, and demonstrating that robust risk management can sit alongside responsible innovation.'*

Hong Kong's Crypto Journey So Far

Dr Yip walked the audience through what the SFC has done since the ASPIRe Roadmap was launched.

In April 2025, under Pillar P (Products), the SFC enabled staking services. The framework was extended to SFC-authorized funds. The result was Asia's first virtual asset spot ETFs with staking features.

In June 2025, under Pillar A (Access), the SFC and the Financial Services and the Treasury Bureau (**FSTB**) launched a joint consultation on licensing regimes for VA dealers and custodians. The consultation received broad support.

In December 2025, the SFC published consultation conclusions on the legislative proposals confirming plans to introduce a bill into the Legislative Council in 2026. At the same time, the SFC consulted on extending the licensing framework to VA advisory and management services. Dr Yip said that, with these regimes in place, 'a complete digital asset ecosystem will transpire through end-to-end regulatory coverage for digital asset activities.'

Since November 2025, the SFC has redefined the connectivity of virtual asset trading platforms (**VATPs**). Shared order books have opened pathways to global liquidity. Dr Yip said this would 'enable tighter spreads and improve price discovery.' Platform service offerings, product offerings and custody coverage have all been broadened.

In October 2025, the SFC commenced the CrypTech initiative under Pillar I (Infrastructure). Dr Yip described its aim as leveraging 'technology to regulate technology by building an automated line of defence for Hong Kong's digital asset marketplace.'

The SFC's work is reinforced by Project Ensemble, run with the Hong Kong Monetary Authority. Project Ensemble has been in pilot phase since November 2025. Dr Yip said this and the SFC's tokenisation guidance are 'accelerating the integration of digital assets with traditional finance.'

In February 2026, the SFC increased Pillar Products. Licensed VA brokers were permitted to offer margin financing under risk management rules. A new framework enabled platforms to develop leveraged products for professional investors. Affiliates of licensed platforms were permitted to serve as market makers.

Under Pillar Re (Relationships), the SFC invited proposals in February 2026 to operate the Digital Asset Accelerator which is scheduled for launch later in 2026. Dr Yip described it as a curated environment that supports licensed digital asset players, promoting 'a risk-aware and compliance-driven approach'.

The Road Ahead

Dr Yip then turned to what comes next. He said: 'Progress is measured not by announcements, but by delivery and by results. To continue on our journey, we must prioritise depth over breadth.'

Access and Safeguards

Under Pillar Access, the top priority is to work with the FSTB to complete the legislative process for the VA licensing regimes. The regimes will cover dealing, advisory, management, and custody services. The framework sits under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

Under Pillar Safeguards, the SFC is working on a pragmatic solution for custody, insurance and compensation arrangements. Dr Yip described the goal as balancing technology with 'the holy grail of investor asset protection.' He acknowledged the scale of the task, calling it 'a substantial if not Herculean task with an unprecedented implementation timeframe', but committed to powering through it.

Products

On Products, Dr Yip said the SFC is moving from high-level principles to detailed guidance.

He made an important point on Web3 product design. He said: 'while products in Web3 may appear similar to traditional finance (TradFi) products on the surface, they can be fundamentally different from product design and risk perspectives.' The SFC will not take an oversimplified approach.

He gave the VA perpetuals framework as an example. Discussions have been conducted with market participants covering product specifications, clearing and settlement, margin requirements and disclosures. Guidance will follow when ready.

On margin financing, the SFC has received proposals and is fine-tuning licensing terms. Dr Yip flagged that it may need to consider what the Financial Resources Requirements (FRR) for digital assets should be, particularly in the context of margin financing. He noted that there are no uniform international practices and that it is likely to consult the market at some point.

On tokenisation, the SFC is working on product categorisation for tokenised real-world assets (RWA). VATPs can now offer secondary on-platform trading of tokenised SFC-authorized funds making Hong Kong among the first major jurisdictions to provide a clear pathway for retail TradFi products to use the Web3 infrastructure.

Relationships and Infrastructure

Dr Yip framed Relationships and Infrastructure together. Cooperation, he said, is built through partnership and alignment of interests.

On online financial harm, he said bad actors can exploit 'fancy Web3 terminologies' to mislead and defraud investors. The SFC's finfluencer initiative under the Relationships pillar promotes responsible digital communications, accountability and informed investor engagement. Dr Yip said the SFC's approach is to understand market practices first before imposing additional regulations.

In January 2026, the SFC and the Capital Market Authority of the United Arab Emirates signed a Memorandum of Understanding. Dr Yip said the MoU enables tangible joint supervision of shared digital asset market participants and that he expects more bilateral collaborations as Hong Kong regulatees obtain licences in other jurisdictions.

He returned to CrypTech. The initiative is moving from conceptualisation to proof of concept this year. The SFC is experimenting with supervisory technology to automate reporting and build analytics for blockchain, custody surveillance, and market surveillance.

He named the three core risks driving this work. They are money laundering, cybersecurity and market manipulation.

Takeaways for Market Participants

Five takeaways stand out from the speech.

First, the 2026 VA licensing bill is the SFC's top legislative priority. Virtual asset dealing, advisory, management and custody services will all sit under one regime, anchored to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

Second, the SFC has opened a regulated pathway for retail TradFi products to use Web3 infrastructure. VATPs can now offer secondary on-platform trading of tokenised SFC-authorized funds.

Third, FRR for digital assets is coming. Margin financing licensees should expect a market consultation in due course.

Fourth, the UAE MoU is the template for cross-border supervision. More bilateral arrangements are expected. Firms operating into the UAE may be the first to feel joint supervisory enquiry.

Fifth, CrypTech is moving to live proof of concept. Supervisory technology will start to automate reporting and analytics. Firms may want to prepare their data, reporting cadence and surveillance tooling for that direction.

Hong Kong HKMA Grants First Stablecoin Issuer Licences Under Stablecoins Ordinance to Anchorpoint Financial and HSBC: Register of Licensed Stablecoin Issuers Goes Live

On 10 April 2026, the Hong Kong Monetary Authority (HKMA) announced its grant of the first two stable-

coin issuer licences under the Stablecoins Ordinance to Anchorpoint Financial Limited (a joint venture between Standard Chartered Bank (Hong Kong) Limited, HKT and Animoca Brands) and The Hongkong and Shanghai Banking Corporation Limited.

According to the HKMA announcement, '[Granting of stablecoin issuer licences](#)', the licences took effect on the date of announcement. Both licensees reportedly plan to launch business in the coming few months. The HKMA framed the grants as a milestone for digital asset development in Hong Kong, stating that the regime is designed to balance innovation with user protection and risk management.

The Register of Licensed Stablecoin Issuers

The HKMA also activated the Register of Licensed Stablecoin Issuers on its website. The Register is available on the HKMA's website and contains the latest list of licensees and their relevant information, including names, addresses, email contacts and other particulars.

Public Vigilance and Use of Regulated Channels

The HKMA reminded the public to remain vigilant to fraudulent activities or scams purported to be associated with the licensees or their stablecoin issuance. The HKMA directed members of the public to consult the Register, or to reach out directly to licensees, for verification purposes. The HKMA further reminded the public that, when acquiring or using stablecoins, this should be done only through regulated channels.

Hong Kong's Stablecoins Ordinance

The Stablecoins Ordinance establishes a dedicated licensing regime for issuers of fiat-referenced stablecoins in Hong Kong and additionally requires issuers of stablecoins referencing the Hong Kong dollar wholly or in part outside Hong Kong to be licensed under the Ordinance. The HKMA is the licensing and supervisory authority. The regime addresses core risks including reserve asset management, redemption rights, anti-money laundering and counter-terrorist financing, governance, technology and operational resilience, disclosure and consumer protection.

The grant of the first licences operationalises the Ordinance from a regulatory framework into a live supervisory regime. From this point, the Register becomes the authoritative public source for verifying whether a stablecoin offering in Hong Kong is regulated.

Context within Hong Kong's Digital Asset Build-Out

The licence grants sit within a broader Hong Kong digital asset architecture. The SFC's ASPIRe Roadmap, in its 14th month of implementation, addresses VATPs and virtual asset custody, dealing, advisory and management. A virtual asset licensing bill is planned for the Legislative Council in 2026. Project Ensemble, jointly run by the HKMA and the SFC, is in pilot phase on tokenisation. The SFC's CrypTech initiative is also moving from conceptualisation to proof of concept on supervisory technology.

The Stablecoins Ordinance complements this architecture. Stablecoins serve as a settlement layer between fiat and on-chain activity, and the licensed-issuer perimeter provides a controlled point of entry for fiat-referenced digital cash within the broader ecosystem.

Hong Kong SFC Reprimands and Fines Impression Investment HK\$2 Million Under Section 194 SFO: Eight-Month Industry Ban for Former RO Liu Shan Over Staff Personal Account Dealing Failures Across Three Cayman Funds

The SFC has reprimanded and imposed a fine of HK\$2 million on Impression Investment Limited (Impression), a Type 9 licensed corporation, for staff trading failures and banned Mr Liu Shan, a former director, responsible officer (RO) and manager-in-charge (MIC) from re-entering the industry for eight months.

According to the [Statement of Disciplinary Action](#), in proceedings under section 194 of the Hong Kong [Securities and Futures Ordinance \(SFO\)](#):

- Mr. Liu and another staff member conducted personal account dealing across three Cayman-incorporated funds contrary to regulatory requirements at a time when they were responsible for making investment decisions for the funds: and
- Impression failed to properly supervise its staff to ensure compliance with its staff dealing policies and

applicable regulatory requirements. It also failed to maintain and enforce effective procedures and controls to monitor staff dealings and detect incidents of non-compliance.

The SFC found over 2,500 unapproved personal trades by Liu alone. It also identified same-day trading, IPO subscription and 30-day holding period breaches. Impression's failures were attributed to Liu's neglect of duties as RO and senior management. The action sits within a broader SFC focus on Type 9 asset manager conduct, conflicts of interest and surveillance of front-running. The case reinforces the SFC's supervisory expectation that written policies must be implemented and enforced.

Non-compliant Staff Dealing by Licensed Representatives of SFC-licensed Fund Manager

Impression is licensed under the SFO to carry on Type 9 (asset management) regulated activity. During the period in question, Impression acted as fund manager or investment advisor of three Cayman-incorporated funds, identified in the Statement of Disciplinary Action as Fund A, Fund B and Fund C.

Mr Liu held multiple roles at Impression. He served as a director from May 2013 to February 2024. He was accredited and approved to act as Impression's RO from April 2014 to February 2024. He is not currently licensed by the SFC. Liu was also Impression's Manager-in-Charge (MIC) of three core functions. He held the Overall Management Oversight MIC role from April 2014 to February 2024. He held the Compliance and Anti-money Laundering and Counter-terrorist Financing MIC role from November 2017 to January 2021. He held the Finance and Accounting and Key Business Line MIC role from November 2017 to February 2024.

A second individual, identified as Mr X in the Statement of Disciplinary Action, was a licensed representative of Impression responsible for managing and making investment decisions for Fund B and Fund C between May 2019 and March 2021.

Between January 2016 and March 2021, Mr. Liu and Mr. X were found to have engaged in personal trading in breach of Impression's staff dealing policies at a time when they were responsible for making investment decisions for funds managed by Impression.

Liu's Personal Account Dealing

The SFC's investigation found a defined pattern of personal trading by Mr. Liu, who was responsible for managing and making investment decisions for Fund A. Liu conducted over 2,500 personal transactions without obtaining pre-trade approval from Impression's designated officer.

Liu executed 601 personal transactions on the same day as, or within one trade day before, trading in the same securities on behalf of Fund A. He also participated in 12 initial public offerings through his personal trading account, subscribing for the same IPO shares as Fund A. He additionally failed to hold his personal investments for the required minimum of 30 days on 29 occasions.

Liu traded in the same stock on the same day as Fund A in 220 instances. This included 116 instances where he traded at more favourable prices than Fund A. The Statement of Disciplinary Action also records 104 instances where trades conducted for Fund A were executed at more favourable prices compared to Liu's personal trades.

Mr. X's Personal Account Dealing

Between May 2019 and March 2021, Mr X, then a licensed representative of Impression responsible for managing and making investment decisions for Fund B and Fund C, also engaged in personal trading inconsistent with regulatory requirements.

Mr X conducted nine personal transactions without obtaining pre-trade approval from Impression's designated officer. He executed 16 personal transactions on the same day as, or within one trading day before, trading in the same securities on behalf of Fund B or Fund C and sold personal stock investments within the 30-day holding period on six occasions.

Mr X traded in the same stock on the same day as Fund B or Fund C at more favourable prices on four occasions.

Regulatory Breaches Identified by the SFC

The conduct of Liu and Mr X breached the personal account dealing requirements set out in paragraphs 2.1.1(b), 2.1.1(b)(ii), 2.1.1(b)(vi) and 2.1.1(c) of the SFC Fund Manager Code of Conduct (FMCC).

Their actions also breached GP 2, GP 6 and paragraph 10.1 of the SFC Code of Conduct for Persons Licensed by or Registered with the SFC.

Paragraph 1.5 of the 2018 FMCC and Paragraph 2.1.1(b) of the FMCC requires relevant persons to obtain prior written permission for personal account dealing from the compliance officer or other persons designated by senior management. Paragraph 2.1.1(b)(ii) restricts dealing within a defined window around client trades. Paragraph 2.1.1(b)(vi) prohibits relevant persons from participating in IPOs available to funds managed by the fund manager. Paragraph 2.1.1(c) requires personal investments to be held for at least 30 days unless prior written approval for earlier disposal is given.

Impression's Supervisory and Control Failures

The SFC's investigation revealed systemic failures in Impression's supervision, management and compliance functions. The SFC found that Impression failed to diligently supervise its staff to ensure compliance with its staff dealing policies and applicable regulatory requirements. The SFC further found that Impression had written staff dealing policies in place but they were neither implemented nor enforced prior to 2021.

Key personnel responsible for management and compliance, including responsible officers and compliance officers tasked with monitoring staff personal trades, lacked adequate knowledge or understanding of the relevant rules and regulations. The compliance officer designated to monitor staff personal trades from January 2016 to December 2020 failed to discharge her responsibilities. She did not carry out any approval or monitoring procedures on staff personal trades as required by Impression's internal policies.

Liu's Personal Accountability as RO and MIC

The SFC considered that Impression's failures were attributable to Liu's neglect in discharging his duties as an RO and a member of senior management. Specifically, as a director, RO and MIC of Overall Management Oversight and Compliance functions, Liu failed to:

- diligently supervise Impression's compliance staff; and
- ensure the maintenance of appropriate standards of conduct by Impression and its compliance with all relevant legal and regulatory requirements.

The SFC found this to be in breach of GP 9 of the Code of Conduct, paragraph 1.5(a) of the 2014 FMCC and paragraph 1.6(a) of the 2018 FMCC.

The SFC's Conclusion on Misconduct and Fitness

The SFC concluded that Impression and Liu were guilty of misconduct. The SFC further considered that Liu's fitness and propriety to carry on regulated activities had been called into question.

In deciding the sanction, the SFC took into account all relevant circumstances including that:

- Impression's failures enabled Liu and Mr. X to conduct personal trades in the same stock on the same day as the funds they managed and at more favourable prices in some instances, which it considered could undermine investor trust and public confidence in the market;
- Impression has implemented regular post-trade monitoring of staff personal trades since 2021 as a remedial measure;
- there is no evidence that the personal trades conducted by Liu and Mr. X were intended to benefit themselves at the expense of the relevant funds; and
- Impression and Mr. Liu cooperated with the SFC in resolving its concerns.

Hong Kong SFC Chairman keynote remarks on AI: HKSI as Regulatory Backbone, GenA.I. Sandbox++ Launch and the Future of Licensed Intermediary Competence

On 6 March 2026, the Hong Kong SFC published the keynote remarks by SFC Chairman Dr Kelvin Wong entitled 'People, Standards and AI: Strengthening Hong Kong's Financial Backbone', at the Hong Kong Securities and Investment Institute (HKSI) Chairman's Cocktail.

The Chairman opened by thanking HKSI for its work over many years. He said HKSI is more than a training body. It is part of Hong Kong's regulatory backbone. HKSI runs the licensing exam for securities and futures intermediaries. Passing the exam is the gateway to an SFC licence. The Chairman then turned to AI. He confirmed the launch of the expanded GenA.I. Sandbox++ on the previous day. Four regulators are involved: the SFC, HKMA, IA and MPFA. He flagged three AI risks: bias, black box decisions and operational gaps. He set out three goals for HKSI: raise competence, build judgement and grow the talent pipeline. He closed with a simple point. People, not just rules, keep markets fair.

The Chairman celebrated what HKSI has done for Hong Kong's financial markets over the years. He explained that the HKSI's importance lies in its running of the SFC's licensing framework, the Licensing Examination for Securities and Futures Intermediaries. The SFC recognises this exam as meeting the competence requirements for all types of regulated activities.

The Chairman moved on to the HKSI's dual mandate, professional and public. He said designing a syllabus, setting an exam or running a course was more than passing on knowledge. He said 'You are helping to define who is fit and proper, and who is competent to serve in Hong Kong's markets'. He noted that this role has never been more important since finance and technology are evolving at speed.

The SFC's GenA.I. Sandbox++ Launch

The Chairman turned to AI and said that AI is already transforming how the industry operates, manages risk and engages with clients. He confirmed the launch, on the previous day, of the expanded GenA.I. Sandbox++. Four regulators were involved: the SFC, the Hong Kong Monetary Authority, the Insurance Authority and the Mandatory Provident Fund Schemes Authority.

He described the Sandbox as giving firms 'a safe and supported environment to test and refine AI applications responsibly.' The aim, in his words, was 'not innovation for its own sake, but innovation with safeguards, with accountability, and with people at its centre.'

The AI Risks

The Chairman flagged three AI risks for the industry: bias; opaque 'black box decisions; and operational vulnerabilities. He concluded that paper based rules are insufficient – stating, 'We need capable, ethical professionals who understand both the letter and the spirit of regulation, and who can exercise sound judgment when using powerful new tools.'

Three Priorities for HKSI

The Chairman set out three priorities he hoped HKSI would pursue.

1. Keep Raising the Bar on Competence

Noting the emergence of new products such as complex derivatives, sustainable finance and digital assets, often driven by AI., and new risks, the Chairman said HKSI's exams and training must stay current, rigorous and practical.

2. Nurture Judgment, Not Just Knowledge

The Chairman drew a clear line between knowledge and judgement. He said: 'A multiple-choice exam tests what someone knows. But it cannot measure how they will act in front of a client, or under pressure.'

He pointed to courses, forums and ethics training. These, he said, help practitioners embed good conduct, manage conflicts, ensure suitability and treat customers fairly. The goal was that 'doing the right thing' is 'not a slogan, but a reflex.'

He closed the point with a forward note: 'In an era where Generative AI is reshaping advice and execution, human judgement and integrity will matter more than ever.'

3. Broaden and Strengthen the Talent Pipeline

The Chairman framed talent as a competitiveness question for Hong Kong. He named three sources: universities, mid-career changers and the wider region. He noted that HKSI qualifications are recognised beyond Hong Kong. They are also delivered with partners in neighbouring markets. He said this means HKSI is 'anchoring regional talent to Hong Kong's standards and to our success story.'

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