

Annual Report

Process Review Panel for the
Securities and Futures
Commission

2021-22



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Abbreviations used in this Report

AIP	Approval-in-principle
CFD	Corporate Finance Division
COVID-19	Coronavirus Disease
CSRC	China Securities Regulatory Commission
ENF	Enforcement Division
INT	Intermediaries Division
INV	Investigation Team of Enforcement Division
IPD	Investment Products Division
IPO	Initial public offering
ISD	Intermediaries Supervision Department
IT	Information technology
PRP	Process Review Panel for the Securities and Futures Commission
SFC	Securities and Futures Commission

Message from the Chairman

As the COVID-19 pandemic began to stabilize in 2021, PRP was able to resume its normal case review process in the year. Although the 5th wave of the pandemic in early 2022 once again brought restrictions to our review work, PRP worked closely with SFC to make the review process smooth and fruitful. Thanks to our SFC colleagues, in particular, numerous case officers who made their best efforts to facilitate PRP's case review, we held case review meetings as usual for SFC to address issues of concerns to PRP and PRP Members to make recommendations on how SFC could improve its procedures.

Discussions with case officers at case review meetings are critical to enabling PRP to understand the basis for operational decisions made in individual cases and work processes in different divisions of SFC, in particular cross-divisional work. From my experience in attending case review meetings, case officers are receptive to PRP's comments and recommendations. Regardless of the number and nature of questions being asked, case officers are generally able to pull together to help the former better understand the case process. It is those constructive and open discussions with case officers that greatly help PRP discern any potential deficiencies and limitations in SFC's operational procedures, and enable PRP to make suggestions or embark on further review of matters in doubt and to appreciate the challenges faced by the case officers and arrangements of SFC.

As always, I am grateful to PRP Members for their devotion to review work. When conducting case review meetings during the 5th wave of the COVID-19 pandemic where there were difficulties in studying SFC's case files at remote meetings, Members took extra steps to follow up on issues that remained unclear in individual cases after the meetings, for example, the extent to which a certain division was involved in the licensing process, the actions taken after a case was referred from one division to another and the status of other complaints that related to the complaint under review.

Message from the Chairman (continued)

In those cases, the review process was wrapped up upon the exchange of information and comments between SFC and PRP Members subsequent to the case review meetings. I am delighted to see the close collaboration between case officers and Members in this regard.

In fact, PRP has been in active dialogues with SFC on ways to facilitate PRP to grasp the case facts more comprehensively with a view to further enhancing the case review process. SFC responds positively to relevant recommendations made by PRP from time to time. I look forward to maintaining effective communication between PRP and SFC to help PRP carry out its work effectively.

In the coming few years, I hope PRP can continue to help SFC maintain the organization's effectiveness and readiness in responding to more complex and interconnected financial markets and the always fast-changing environment, by contributing to refinement of SFC's internal procedures and operational guidelines and drawing SFC's attention to possible risks associated with its operations as and when necessary.

Finally, I would like to once again express my gratitude to fellow Members and SFC colleagues for joining hands to consolidate the work of PRP!

Mr. Lee Kam Hung, Lawrence, BBS, JP
Chairman

Executive Summary

In 2021-22, PRP reviewed 51 cases selected from the closed case lists submitted by SFC. PRP deliberated on observations made in the case reviews and made thorough recommendations to SFC for enhancement of its processes and procedures. PRP's recommendations and SFC's responses are summarized below –

Proactive Monitoring of Case Closure Process in Enforcement Cases

2. PRP noted prolonged actions in the case closure process of two enforcement cases, which was attributed to the heavy workload of the case officers at the time, and recommended SFC to consider establishing a mechanism that would enable proactive actions be taken to monitor and control the case closure process more closely and prompt decision be made to re-distribute workload when necessary.

3. SFC responded that ENF then attended more closely to the case closure process and took more proactive actions to re-distribute workload when necessary. ENF would also from time to time remind case officers to seek steer when they foresee difficulties in taking prompt actions due to heavy workload.

Timely Follow-up on Sponsors in Listing Applications

4. Noting that CFD shared its observations with INT ten months after it closed the case regarding the substandard due diligence work of a sponsor firm in a listing application, PRP commented that CFD should make referral to INT as soon as the observations were made to ensure prompt and appropriate monitoring actions be taken against the substandard sponsor firm.

5. SFC responded that CFD shared its observations regarding the sponsor firm ten months after the case was closed, as part of its periodic sharing of intelligence with INT. In other cases, CFD made direct referrals to ENF where the gravity of the potential misconduct identified in its observations warranted such referrals.

Tightening the Monitoring of Remedial Actions in High-Priority Inspections

6. PRP commented that for high-priority cases, whether in terms of SFC's assessment of the related risk of the firm in a special theme inspection or with an overall higher priority over the inspection of other firms, SFC should be more proactive in following up on the implementation of remedial actions with more tightened monitoring process and ensure that the inspected firm would take suitable and prompt interim remedial measures against significant deficiencies before it could fully address the deficiencies identified by SFC.

7. SFC responded that the time required to complete all follow-up work varied among different inspections, depending on a number of factors including the number, nature and seriousness of the deficiencies identified, and the quality and thoroughness of the inspected firm's reply to SFC's letter of deficiencies and subsequent communication. Computer-generated alerts and regular meetings assisted ISD in monitoring the time taken for the follow-up work. In the case referred to by PRP, SFC held the view that the firm's envisaged timeframe for completion of its rectifying measures acceptable, taking into account the size of the operation of the firm and the scope of a review of the firm's related controls by a third party consultant engaged by the firm.

Withholding Review of Product Application Pending the Applicant's Confirmation of Related Approval from Another Regulator

8. PRP noted that SFC continued to process an application for authorization of a constituent fund despite the applicant failed to seek another regulator's prior confirmation on whether the AIP remained valid subsequent to a change to the offering documents, and suggested SFC to consider, in such a situation, not to proceed with reviewing the application to avoid waste of resources should the other regulator revoke the AIP.

9. SFC responded that it had reminded the applicant that according to SFC's guidelines, the applicant should obtain prior confirmation from the other regulator. With respect to the application

itself, the applicant's failure to seek prior confirmation from the other regulator did not materially affect SFC's approving process, which was consequential in nature.

Strengthening Administration of Deadlines and Enhancing Efficiency in Complaint Handling

10. PRP was concerned that SFC granted time extensions repeatedly for responding to its straightforward information requests in a complaint case, which might amount to waste of SFC's resources; and the multiple rounds of requisitions made by SFC coupled with delayed and piecemeal responses from the subject firm in another complaint might hinder SFC from taking timely follow up actions against the firm's potential deficiencies. PRP recommended SFC to consider administering the deadlines for responding to its information requests more stringently; and enhance efficiency in processing complaints sharing similar allegations which showed potential control deficiencies or breaches of rules or regulations to ensure prompt follow-up actions be taken against the firm.

11. SFC responded that it would take into account a number of factors when considering request for time extension. Each complaint would be assessed on a case-by-case basis. For the two complaints in question, SFC had considered the nature of the complaint, reasons for the extension, etc. in granting the time extension. SFC undertook to continue to handle complaint cases in an efficient manner.

Chapter 1 General Information

Background

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

Functions

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

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

1.4 The Terms of Reference of PRP are -

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

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

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

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

Modus Operandi

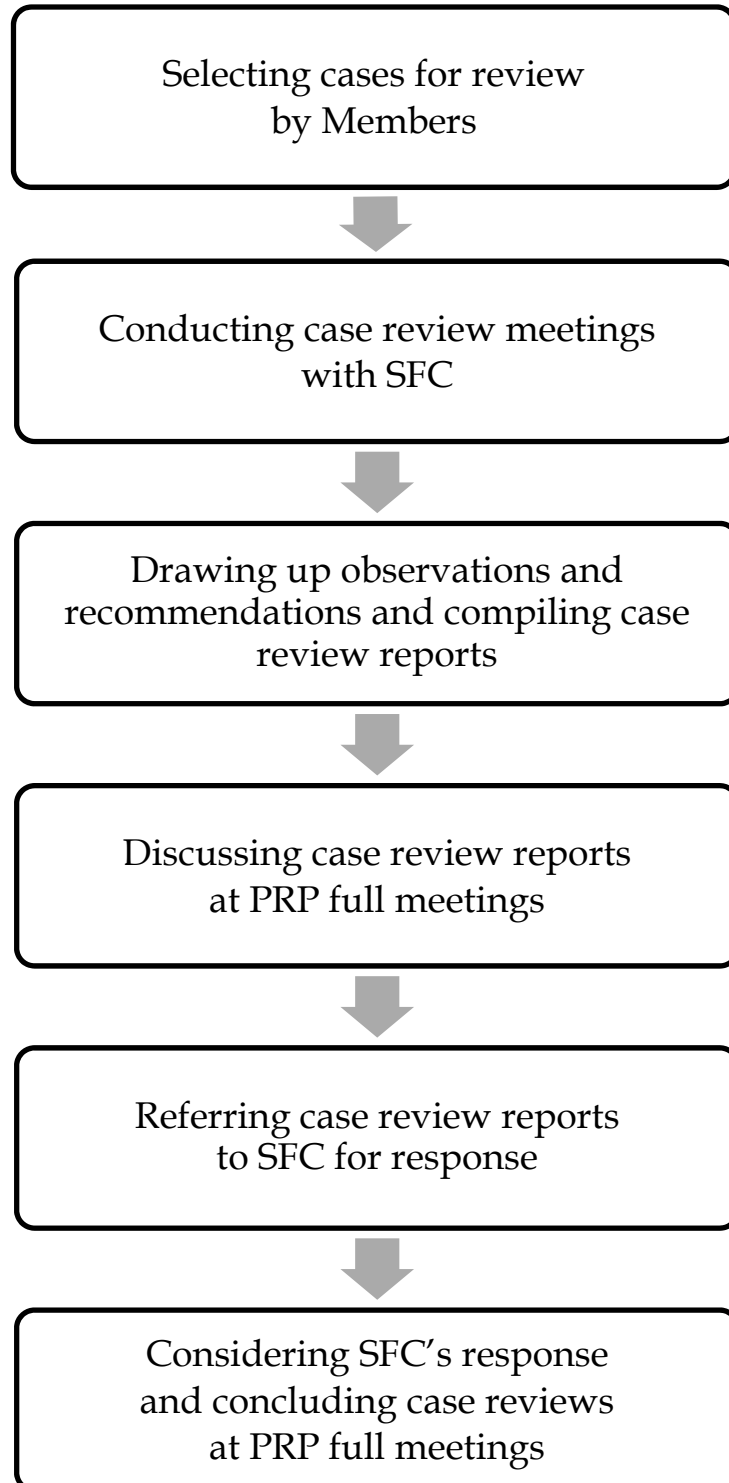
1.7 SFC provides PRP with monthly lists of completed and discontinued cases from which members of PRP select cases for review. Members pay due regard to areas such as processing time of completed cases, procedural steps taken by SFC in arriving at its decisions and relevant checks and balances.

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

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

Case Review Workflow

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



Membership

1.11 Mr. LEE Kam-hung, Lawrence is the Chairman of PRP.

1.12 PRP comprises members from the financial sector, the academia, and the legal and accountancy professions. In addition, there are two ex-officio members, namely the Chairman of SFC and the representative of the Secretary for Justice.

1.13 The membership of PRP in 2021-22 is as follows -

Chairman:

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

Members:

Mr. CHAN Lap-tak, Jeffrey since 1 November 2018

Ms. Lena CHAN since 1 June 2016

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

Ms. CHING Kim-wai, Kerry since 1 November 2020

Ms. CHUA Suk-lin, Ivy since 1 November 2018

Mr. CHUI Yik-chiu, Vincent since 1 November 2018

Ms. KWAN Wing-han, Margaret since 1 November 2018

Mr. KWOK Tun-ho, Chester since 1 November 2016

Mr. LAI Hin-wing, Henry since 1 November 2018

Dr. MAK Sui-choi, Billy since 1 June 2016

Mr. TSANG Sui-cheong, Frederick since 1 November 2016

Ms. Helen ZEE since 1 November 2020

Ex officio Members:

Chairman, the Securities and Futures Commission since 20 October 2018

Mr. Tim LUI, SBS, JP

Secretary for Justice's Representative since 1 March 2021

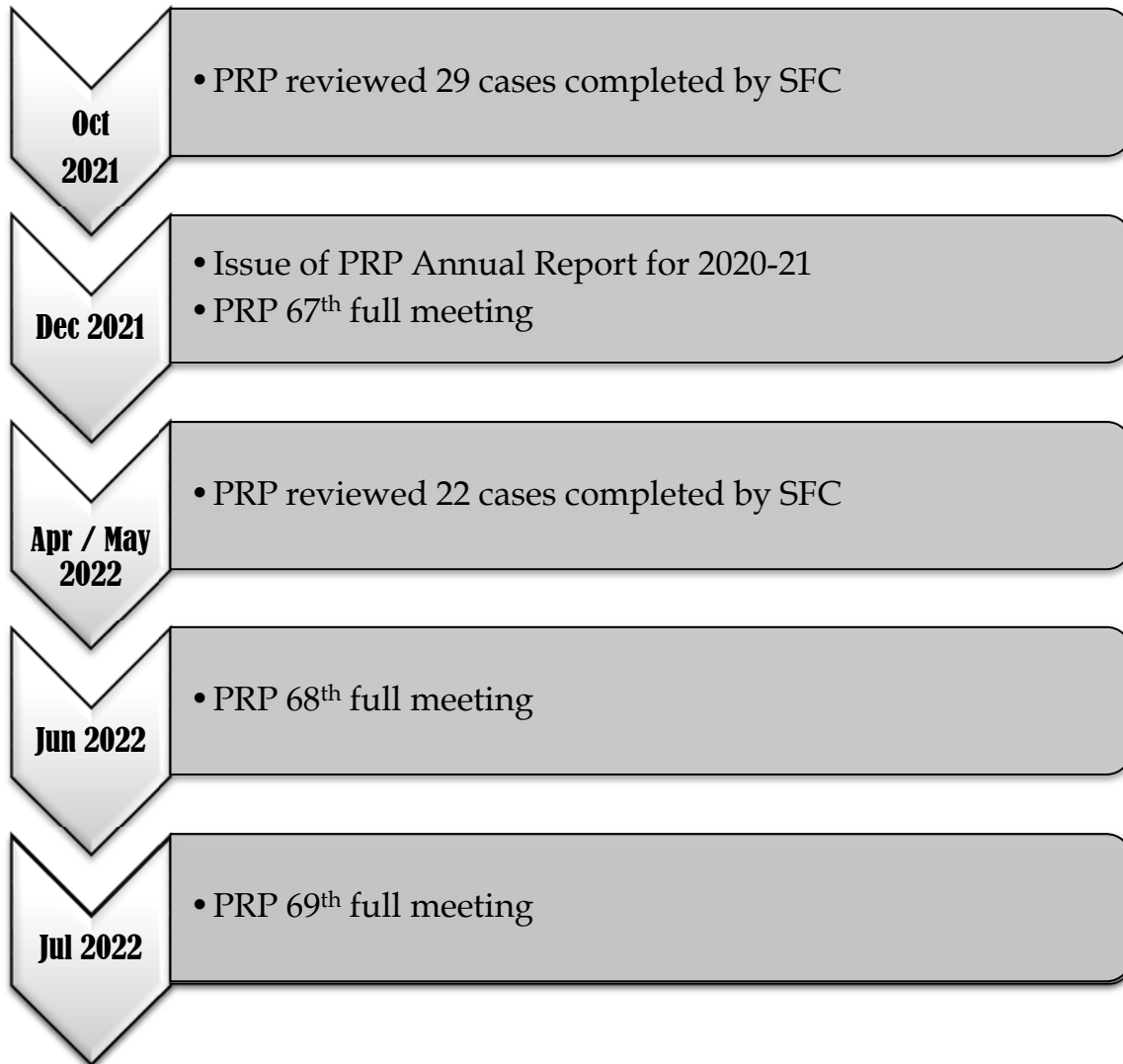
Mr. YUNG Yap-yan

Secretariat:

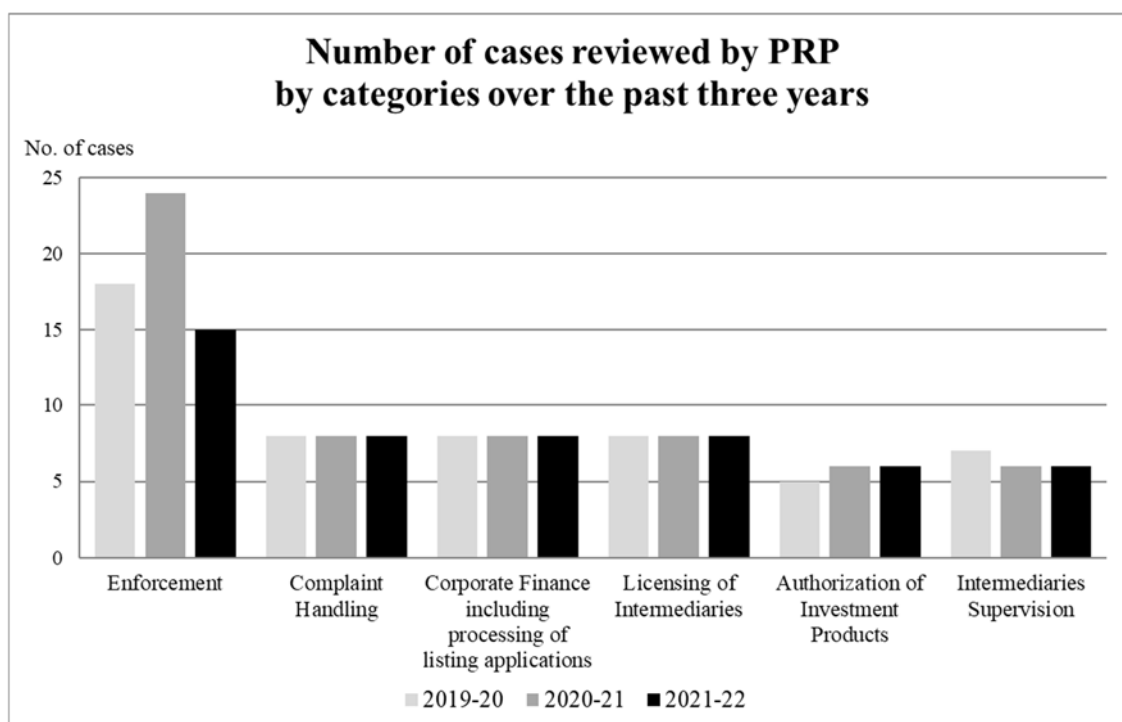
The Financial Services Branch of
the Financial Services and the Treasury Bureau

Chapter 2 **Highlights of the Work of PRP**

2.1 Major events in 2021-22 are set out below –



2.2 Distribution of the cases reviewed by PRP in the past three years is as follows -

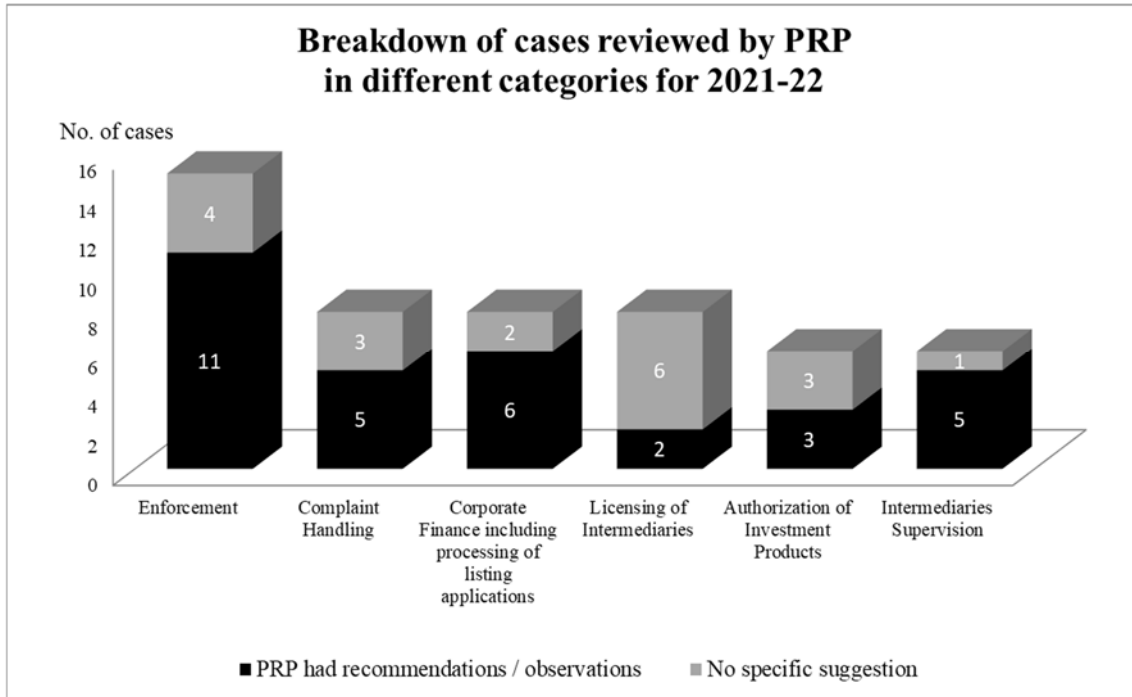


2.3 Distribution of the 51 cases¹ reviewed by PRP in 2021-22 is as follows -

	No. of Cases
Enforcement	15
Complaint Handling	8
Corporate Finance including processing of listing applications	8
Licensing of Intermediaries	8
Authorization of Investment Products	6
Intermediaries Supervision	6
Total	51

¹ In February 2022, SFC asked for a moratorium on preparation of case summaries for PRP's review until the 5th wave of the COVID-19 pandemic improved as SFC's special work-from-home arrangement made it difficult for case officers to access physical files in the office when writing case summaries. PRP acceded to SFC's request. As a result, only 15 (instead of 24 as originally planned) enforcement cases were reviewed by PRP in 2021-22.

2.4 Among these 51 cases, PRP made recommendations or observations on 32 cases, representing 63% of the reviewed cases.



2.5 Highlight of PRP's observations and recommendations is set out in Chapter 4. Follow-up actions taken by SFC on PRP's recommendations in the past years are set out in Chapter 3.

Chapter 3 Follow-up Actions Taken by SFC on PRP's Recommendations in Past Years

3.1 In response to the recommendations made by PRP in past years, SFC made progress in the following aspects –

- (a) Cooperation with CSRC; and
- (b) Application of IT in investigations.



A. Cooperation with CSRC

3.2 With respect to PRP's recommendation to SFC in 2019-20 to enhance its communication with other regulators, SFC made continuing efforts to enhance its cooperation with, among others, CSRC over the years. At the 12th regular high-level meeting on enforcement cooperation (high-level meeting), SFC reached consensuses with CSRC on a number of important enforcement issues, such as enhancing the enforcement cooperation mechanism and its efficiency, refining mutual assistance in investigations, ensuring timely response to challenges arising from increasingly serious and complex cross-boundary securities frauds, safeguarding the interest of investors and the sound operation of both markets.

3.3 At the high-level meeting, SFC and CSRC conducted in-depth discussions on issues related to cross-boundary enforcement cooperation, including cooperation on major and urgent cross-boundary cases, potential improvement to the cooperation mechanism for collecting and handling of evidence, sharing the experience of the implementation and successful cases of the special representative action mechanism in the Mainland, and arrangements to enhance exchanges and joint training in view of the ongoing COVID-19 pandemic.

3.4 In addition, following the COVID-19 outbreak, SFC proactively discussed with CSRC to fine-tune SFC's enforcement cooperation mechanisms to ensure efficient mutual provision of investigatory assistance.



B. Application of IT in Investigations

3.5 In 2018-19, PRP recommended SFC to make suitable application of IT to reduce manual work with a view to enhancing the efficiency of enforcement and complaint investigations.

3.6 In respect of enforcement investigations, ENF, as a recent technology-focused initiative, launched a new electronic bank record submission system in March 2022. ENF would observe the operation of the new system and implement enhancements as appropriate.



Chapter 4 **Observations and Recommendations of Cases Reviewed in 2021-22**

4.1 In 2021-22, PRP selected 51 cases which were concluded by SFC during the period from December 2020 to November 2021. The processing time of these cases, which were of different nature and complexity, ranged from around a month to several years. PRP was provided with summaries of all these 51 cases for review, with the aid of case files. On the whole, PRP observed that SFC had followed its operational guidelines and procedures in processing these cases. Notable observations and comments made by PRP are detailed in ensuing paragraphs. Relevant recommendations made by PRP to SFC are summarized below -

- (a) Proactive monitoring of case closure process in enforcement cases;
- (b) Timely follow-up on sponsors in listing applications;
- (c) Tightening the monitoring of remedial actions in high-priority inspections;
- (d) Withholding review of product application pending the applicant's confirmation of related approval from another regulator; and
- (e) Strengthening administration of deadlines and enhancing efficiency in complaint handling.



A. Proactive Monitoring of Case Closure Process in Enforcement Cases

4.2 A notable comment made by PRP in the enforcement cases reviewed in 2021-22, as also observed in previous enforcement cases reviewed, was ENF's prolonged actions in the case closure process in two cases. PRP observed delays in INV's issue of final replies to the complainants and persons under investigation in both cases, and delay in INV's referral of findings and drafting of a referral letter to a law enforcement agency in one of these two cases.

4.3 SFC attributed the delays to the heavy workload of the case officers and their prioritization of completing tasks which required more urgent attention in the other cases they handled at the time, including ongoing legal proceedings and a very high priority case.

§ PRP's recommendations

4.4 PRP considered that those delays called for improvement in SFC's monitoring of the case closure process. In particular, PRP suggested SFC to consider establishing a mechanism that would enable proactive actions be taken to monitor and control the case closure process more closely and prompt decision be made to re-distribute workload when necessary.

§ SFC's response

4.5 SFC responded that ENF then attended more closely to the case closure process and took more proactive actions to re-distribute workload when necessary. ENF would also from time to time remind case officers to seek steer when they foresee difficulties in taking prompt actions due to heavy workload.



B. Timely Follow-up on Sponsors in Listing Applications

4.6 PRP's major concern in its review of CFD cases arose from its observation in a listing application where the due diligence work of the sponsor firm might not have been adequately and satisfactorily conducted, yet CFD shared its findings regarding the sponsor firm to INT ten months after it closed the case.

§ PRP's comments

4.7 PRP considered the lead time of ten months not very satisfactory and commented that to ensure prompt and appropriate monitoring actions be taken against substandard sponsors, CFD should make referral to INT as soon as such issues were identified.

§ SFC's response

4.8 SFC noted PRP's comments and advised that CFD generally shared with INT its observations regarding substandard sponsor work on listing applications for intelligence on an annual basis. In the case reviewed, CFD shared its observations regarding the sponsor firm ten months after it closed the case, as part of its periodic sharing of intelligence with INT. In other cases, CFD made direct referrals to ENF where the gravity of the potential misconduct identified in its observations warranted such referrals.



C. Tightening the Monitoring of Remedial Actions in High-Priority Inspections

4.9 For the ISD cases reviewed, PRP was in general concerned about whether timely remedial actions had been taken by the inspected firms after they received SFC's letter of deficiencies. In a special theme inspection where a firm was selected for review due to its disciplinary record related to the theme of the inspection, PRP noted the firm had yet to implement all proposed remedial actions five months after receiving SFC's letter of deficiencies. PRP was concerned that no timeline was stipulated for the firm to complete all remedial actions.

§ PRP's comments

4.10 PRP commented that for high-priority cases, whether in terms of SFC's assessment of the related risk of the firm in a special theme inspection or with an overall higher priority over the inspection of other firms, the deficiencies identified should warrant more prompt rectifications. In this regard, PRP considered that SFC should be more proactive in following up on the implementation of remedial actions with more tightened monitoring process and ensure that the inspected firm would take suitable and prompt interim remedial measures against significant deficiencies before it could fully address the deficiencies identified by SFC.

§ SFC's response

4.11 SFC responded that in practice, after the letter of deficiencies was issued, the firm would be required to respond to the letter in two weeks' time. In general, SFC expected the firm to take rectifying measures as a matter of priority to address all the issues covered in the letter. For rectifying measures that were not implemented when the firm first responded to the letter of deficiencies, the firm would be required to provide its remedial plan with envisaged timeframe to the inspection team. If the inspection team had any concerns about the remedial plan or the

proposed actions taken by the firm, the inspection team would communicate with the senior management of the firm to ensure that the issues covered in the letter of deficiencies would be adequately addressed in a timely manner.

4.12 To keep track of the progress of the rectifying measures taken by the firm, alerts would be generated by a computer system and those inspections would be discussed in regular meetings.

4.13 In the case concerned, after the letter of deficiencies was issued, the firm provided its rectification plan which included taking measures to enhance its procedures in the areas that the inspection team found deficient. The firm also engaged a third party consultant to review its related controls. Taking into account the size of the operation of the firm and the scope of the review conducted by the third party consultant, SFC held the view that the firm's envisaged timeframe for completion was acceptable. During the period, the inspection team maintained a close dialogue with the firm to keep track of the progress, obtained information from the firm for sample review and sought clarification on the information provided by the firm to evaluate whether the remedial actions were sufficient.

4.14 Overall, the time required to complete all follow-up work varied among different inspections, depending on a number of factors including the number, nature and seriousness of the deficiencies identified, and the quality and thoroughness of the inspected firm's reply to the letter of deficiencies and subsequent communication.



D. Withholding Review of Product Application Pending the Applicant's Confirmation of Related Approval from Another Regulator

4.15 PRP found that all of the IPD cases reviewed were efficiently handled by SFC. Having said that, PRP observed that SFC had continued to process an application for authorization of a constituent fund despite the applicant failed to seek another regulator's prior confirmation on whether the AIP remained valid subsequent to a change to the offering documents. PRP was mindful of possible waste of SFC's resources in continuing with the vetting of the application should the other regulator revoke the AIP.

§ PRP's recommendations

4.16 PRP suggested SFC to consider, in such a situation, not to proceed with reviewing the application until the applicant confirmed the validity of the AIP granted by the other regulator.

§ SFC's response

4.17 SFC responded that the applicant's failure to seek prior confirmation from the other regulator on the validity of the AIP did not materially affect SFC's approving process, which was consequential in nature. That said, SFC had reminded the applicant that according to SFC's guidelines, the applicant should obtain prior confirmation from the other regulator.



E. Strengthening Administration of Deadlines and Enhancing Efficiency in Complaint Handling

4.18 In two complaints reviewed, PRP observed that the subject firms repeatedly sought time extensions for or delayed responding to SFC's information requests. In the first case, the firm gave partial responses and only made it to fully address SFC's requisitions after rounds of responses. In the second case, despite the imposition of deadlines by SFC, the firm did not provide all necessary information until over six months after SFC first issued its information requests out of a total of 11 requests.

§ PRP's comments

4.19 Considering the information sought by SFC in the first case, which primarily related to how an existing mechanism of the firm was implemented in practice, should be readily available and that SFC had already discussed with the firm in setting the deadlines, PRP commented that the firm's repeated extensions of response time were unreasonable. PRP was concerned that SFC's resources would be wasted in allowing time extensions for straightforward information requests as such.

4.20 In the second case, PRP noted the subject complaint and two other complaints against the firm which were handled by SFC collectively shared similar allegations related to possible deficiencies in the firm's IPO processes and was concerned that should there have been such deficiencies, the firm's delayed responses would have hindered SFC from making prompt findings of and taking timely follow-up actions against the firm's deficiencies. Besides, the issue of 11 rounds of information requests to the firm appeared to be inefficient and ineffective.

§ *PRP's recommendations*

4.21 In the first case, PRP suggested SFC to consider administering the deadlines for responding to its information requests more stringently. In the second case, PRP reminded SFC to enhance efficiency in processing complaints sharing similar allegations which showed potential control deficiencies or breaches of rules or regulations to ensure prompt follow-up actions be taken against the subject firm. In particular, PRP considered that it might warrant SFC to look into the firm's piecemeal submissions and delayed responses to SFC more closely, despite that the firm was at that time handling a considerable number of other complaints concurrently.

§ *SFC's response*

4.22 SFC responded that in setting the timeframe within which the target of a complaint should respond to SFC's requisitions as well as any request for extension of time to respond, SFC would take into account a number of factors including the nature of the complaint, the reasons for the extension and whether the matter might pose imminent investor protection or market integrity concerns. Each complaint case would be assessed on a case-by-case basis.

4.23 In the first case, the firm under investigation requested for time extension to provide responses to SFC's first two rounds of requisitions (amounting to 18 calendar days in total). SFC granted the time extensions on the basis that it was considered reasonable in the circumstances, and did not adversely affect SFC's overall investigation of the matter. The case was closed after SFC's investigation of the matter with appropriate actions, inter alia, the issue of a compliance letter to the firm.

4.24 For the second case, SFC advised that in view that the subject complaint and the other two complaints that shared similar allegations were received within a close proximity of time, it was necessary for the

case team to review these complaints under a holistic approach in order to identify any systematic weakness in the firm's internal control system. The case team would only conclude a complaint after obtaining all necessary information from the firm. Additional information requests were made to the firm as some of the information provided by it were incorrect and vague. To ensure prompt handling of the complaints, the case team reminded the firm numerous times that it should ensure the truth and accuracy of the information provided.

4.25 SFC would continue to handle complaint cases in an efficient manner taking into account specific circumstances of individual cases.



Chapter 5 Way Forward

5.1 PRP has witnessed how SFC reengineered its organizational structure and revamped its processes on various fronts in recent years to, inter alia, achieve better regulatory outcomes and sharpen its focus on key risks as well as to enhance efficiency and transparency. Following these changes, PRP has observed enhanced efficiency in SFC's processing of licensing applications and authorization of investment products as well as coordination among divisions in enforcement work. PRP recognizes SFC's efforts to maintain world-class regulation and remains steadfast in working closely with SFC in fulfilling its mission.

5.2 PRP actively contributes towards sustaining appropriate deployment of resources by SFC to meet the organization's strategic objectives, priorities and operational needs by drawing SFC's attention to avoidable delays and lengthened processes as observed in some cases reviewed. Overall, PRP attaches importance to efficiency considerations when reviewing and advising SFC upon the steps taken by SFC in individual cases. Over the years, PRP has had open and constructive communication with SFC on relevant issues.

5.3 PRP will build on the success we have had reviewing the reasonableness of the internal operational procedures of SFC to ensure that SFC will tackle new issues and irregularities by making prompt and appropriate changes to existing policies and workflow.

5.4 PRP welcomes and attaches great importance to the views from market practitioners. Comments on the work under PRP's terms of reference can be referred to PRP through the following channels²-

² For enquiries or complaints not relating to the work of PRP, they should be made to SFC directly –

By post	: Securities and Futures Commission, 54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong
By telephone	: (852) 2231 1222
By fax	: (852) 2521 7836
By email	: enquiry@sfc.hk

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

By email: prp@fstb.gov.hk

Chapter 6 Acknowledgement

6.1 PRP would like to convey its gratitude to SFC for its support and cooperation in the review work.

**Secretariat of the Process Review Panel
for the Securities and Futures Commission
November 2022**