

Welcome to our Regulatory Newsletter June 2023

Executive Summary

In South Korea, The South Korean government has approved a bill to abolish the foreign investor registration requirement, which has been in place since 1992. This requirement has been seen as a barrier for foreign investors, as it is time-consuming and involves a lot of paperwork. The aim of this revision is to align Korean regulations with global standards, as other major economies do not have this kind of registration requirement. The system will be abolished starting from 14 December 2023.

Meanwhile in India, The SEBI amended regulations to give Alternative Investment Funds (AIFs) more flexibility in handling investments that are not sold due to lack of liquidity during the winding-up process. AIFs can either sell the investments to a new scheme within the same AIF or distribute the investments directly to investors. The new regulations require approval from at least 75% of investors and specify conditions set by SEBI.

Click onto a region of your interest to read the corresponding regulatory updates and enforcement actions:



Australia



China



Hong Kong



India



Japan



Malaysia



Singapore



South Korea



Taiwan



Australia

On 6 June 2023, ASIC urged directors, preparers of financial reports, and auditors to evaluate the impact of uncertain market and economic conditions on reporting for full and half-years ending 30 June 2023. ASIC Commissioner Danielle Press highlighted the need for directors to ensure that investors are properly informed about the impact of changing and uncertain economic and market conditions, "net zero" targets, and other developments on financial position and future performance. ASIC identified areas of attention, including asset values, provisions, solvency, going concern assessments, disclosures in financial reports, and the impact of a new accounting standard for insurers. Directors and management are advised to assess how changing circumstances, uncertainties, and risks may affect the performance of entities and the value of assets and provisions. These factors include rising interest rates, inflationary impacts, energy and oil prices, geopolitical risks, climate change, technological changes and innovation, COVID-19 conditions, and other economic and market developments. For more information, please click [here](#).

Enforcement

On 2 June 2023, Stavro D'Amore and Daniel Kirby, former directors of collapsed over-the-counter derivatives provider Berndale Capital Securities Pty Ltd, were charged with dishonesty offenses, including misusing more than \$1 million of company funds. ASIC alleges that both individuals unlawfully transferred Berndale company funds to benefit themselves and other associates and entities. Additionally, D'Amore used some of the funds to finance deposits for residential property purchases. The accused are also alleged to have made false statements or submitted misleading documents to ASIC and an auditor of Berndale regarding overseas bank accounts containing Berndale funds. Kirby is accused of fabricating evidence related to Berndale funds in overseas bank accounts in Federal Court proceedings. The matter is being prosecuted by the Commonwealth Director of Public Prosecutions following a referral by ASIC, and the accused are scheduled to appear before the Melbourne Magistrates' Court on 25 August 2023. For more information, please click [here](#).

On 5 June 2023, The Australian financial services (AFS) license of Lantern RE Ltd. was suspended by ASIC until 29 May 2024. The licence allows Lantern to deal in interests in managed investment schemes and provide general financial product advice to wholesale and retail clients. The suspension was imposed because Lantern did not file financial statements and audit reports for the financial years from 2019 to 2022 and compliance plan audit reports for Fracprop for financial years 2020 to 2022. If Lantern does not rectify these breaches, ASIC may take further action at the end of the suspension period. Lantern has the option to seek a review of ASIC's decision by the Administrative Appeals Tribunal. For more information, please click [here](#).

On 6 June 2023, ASIC banned Queensland-based directors Mr David Bugeja and Mr Brian Washbourne from providing any financial services and being involved in carrying on such a business for six years. ASIC found that in their capacity as directors of Bugwash Property, they contravened financial services law by dealing in financial products and general insurance products without the necessary authorizations or licenses. Additionally, they failed to provide adequate disclosure to investors and act in their best interests. Bugwash Property provided residential property investment opportunities, with investors pooling their funds through unit trusts to buy and hold residential property for profit. As of 30 June 2021, the value of the trusts was approximately \$24 million. ASIC concluded that Mr. Bugeja and Mr. Washbourne were not fit and proper to provide financial services, control an entity carrying on a financial services business, or perform any function involved in the carrying on of a financial services business, and are likely to contravene a financial services law. Their banning is recorded on ASIC's banned and disqualified register. For more information, please click [here](#).

On 13 June 2023, the former CFO of Big Un Limited, Mr Andrew Scott Corner, was charged with insider trading by ASIC and has appeared in the Downing Centre Local Court through his lawyer. ASIC alleges that Mr Corner was in possession of inside information in late 2017 when he arranged for two private companies to sell 1.7 million Big Un shares for over \$5 million. The inside information related to a funding arrangement between Big Un's subsidiary, Big Review TV Limited, and Sydney-based financier, First Class Capital. Big Un's shares were suspended from trading in February 2018 after information regarding the funding arrangement was released, and the company was placed into voluntary administration and delisted from the ASX in August 2018. The matter has been listed for mention at the Downing Centre Local Court in July 2023 and is being prosecuted by the Commonwealth Director of Public Prosecutions following a referral from ASIC. For more information, please click [here](#).



Mainland China

On 12 June 2023, the Shanghai Stock Exchange ("SSE") issued a notice on soliciting public comments on the "Self-Regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 9 - Evaluation of Information Disclosure Work (Draft for Comments)", the deadline for feedback was June 26, 2023. The main adjustments include integrating and optimising the situation for extra points. Integrate the plus-item points into five aspects: information disclosure standardisation, information disclosure effectiveness, investor relations management, disclosure of social responsibility, listed companies' support for the work of the regulator, further rationalise the logic of bonus points, and clarify the principle of extra points. To add a list of points reductions for listed companies with major negative matters, distinguish between entities and situations to establish differentiated points reduction standards, and further improve the requirements for standardised operation of listed companies. Clarify that there are circumstances such as administrative supervision measures, administrative penalties, or disciplinary sanctions, less than three performance briefing meetings, and the cumulative vacancy of the board secretary for more than six months, if that is the case the evaluation result shall not be an A. To increase the service of Class A companies with evaluation results, exempt the temporary announcements of relevant companies from post-examination in principle, and provide corresponding support for planning to issue shares or securities and to purchase assets to specific targets in accordance with laws and regulations. For more information, please click [here](#). (Chinese only)

On 15 June 2023, the Shenzhen Stock Exchange ("SSE") issued a notice regarding the "Shenzhen Stock Exchange Securities Investment Fund Business Guide No. 1 - Related Business Handling (Revised in June 2023)", which became effective on June 15, 2023. The main objective of this revision is to further standardise the preparation requirements for fund abbreviations. Fund abbreviations should be taken from the name of the fund and should have a clear meaning and direction. Additionally, a description of the fund's investment target or investment style may be added to the abbreviation, which must be consistent with the actual investment and free of ambiguity and misleading information. The fund manager is responsible for submitting an explanatory document signed by the inspector general (with official seal) and should be accountable for the abbreviation of the fund applied. For more information, please click [here](#). (Chinese only)

On 16 June 2023, The Asset Management Association of China ("AMAC") released the report of its first working meeting of the Compliance and Risk Management Committee for 2023. During the meeting, participants discussed the challenges posed by internationalisation, group development, and technological innovation, as well as strengthening liquidity risk management in fund operations, compliance management in public fund sales, and Real Estate Investment Trust (REIT) operations. They also provided suggestions and recommendations for improving anti-money laundering self-regulatory rules. The meeting highlighted the following key points: Advancing the improvement of industry systems and reflecting the industry's reasonable demands. Conducting forward-looking industry research to provide intellectual support for enhancing compliance and risk control levels. Continuously providing compliance public goods such as compilations of laws and regulations and compliance management manuals to facilitate industry compliance practises. Strengthening industry exchanges, promoting collaborative discussions, and sharing insights on key issues, difficulties, and pain points in the fund industry to drive practical improvements. In the next phase, guided by the China Securities Regulatory Commission ("CSRC"), AMAC will focus on industry compliance and risk management, adhering to the principles of "service, self-discipline, bridge, and innovation." The association will regularly organise communication and exchange activities to improve industry compliance and risk management practises. For more information, please click [here](#). (Chinese only)

On 20 June 2023, the China Securities Regulatory Commission ("CSRC") issued the Guidelines on Deepening the Reform of the Bond Registration System (hereinafter referred to as the "Guiding Opinions"), which came into effect upon promulgation. The main contents of the Guiding Opinions consist of general requirements and 12 measures in 4 aspects, including (1) Further enhancing the system and mechanism by improving the institutionalisation, standardisation, and transparency of the review and registration process; maintaining good market order; stimulating market innovation and development; and increasing the proportion of direct financing. (2) Strengthening information disclosure requirements; with a focus on solvency. Establishing a review and registration process with a clear division of duties and efficient cooperation. (3) Issuers are required to strictly perform their principal and interest repayment obligations, create overall financing plans, and prevent over-financing with high leverage. (4) Improve the daily supervision system of bonds and carry out targeted on-site inspections of issuers and intermediaries. For more information, please click [here](#). (Chinese only)



On 20 June 2023, the “Guiding Opinions” on Improving the Practise Quality of Intermediary Bond Business under the Registration System, issued by the CSRC, came into effect upon promulgation. The main contents of the Guiding Opinions include the guiding ideology, basic principles, 5 aspects, and 14 measures, including, (1) Clarifying that the leading underwriter should establish a quality-oriented due diligence system for the issuer, fully grasp the issuer's operation, financial situation, and solvency, guide the issuer to reasonably plan the financing structure, and effectively prevent high-leverage overfinancing. (2) Putting forward clear requirements for underwriters in the issuance and placement process, including not committing to the issuance price or interest rate, not linking the issuance price or interest rate to the underwriting fee, standardising the bookkeeping process, and strengthening investor suitability management. For more information, please click [here](#). (Chinese only)

On 26 June 2023, the China Banking and Insurance Regulatory Commission ("CBIRC") issued a notice outlining regulatory rating measures for financial companies within enterprise groups. These measures will take effect immediately upon their promulgation. The Administrative Measures comprise six chapters and 29 detailed rules, which cover general principles, rating elements, organisation and implementation, rating results and application, as well as supervision and management. The purpose of these measures is to strengthen the centralised management of enterprise group funds and enhance the efficiency of their utilisation by referring to non-bank financial institutions that provide financial services to members of enterprise groups, both domestic and foreign. The regulatory rating elements for financial companies encompass six components: functional positioning, capital management, corporate governance, risk management, information technology management, and group operation and support. The results of the regulatory rating play a vital role in assessing the operational status, functional performance, risk management capabilities, and risk level of the financial company. They serve as the primary basis for measuring these aspects. For more information, please click [here](#). (Chinese only)

On 30 June 2023, the SSE Optimised Online Cash Subscription for Exchange-Traded Open-End Index Funds. The SSE has taken significant steps to optimise the process of online cash subscription for exchange-traded open-end index funds (ETFs). This move aims to enhance efficiency and promote a standardised approach to online transactions within the SSE trading system. The key points outlined in the SSE's notice are as follow: (1) Streamlining Online Cash Subscription: The SSE now offers comprehensive support for online cash subscriptions, allowing investors to purchase ETFs through qualified SSE members using cash transactions. (2) Introduction of a Coordinating Entity: To facilitate the issuance of ETFs, fund managers are required to select one authorised distribution institution as the coordinating entity. The fund manager and coordinating entity must engage in independent negotiations and sign agreements to ensure a regulated flow of funds during the online cash subscription period. (3) Prompt Refunds: In the interest of investor protection, both the coordinating entity and distribution institution are obligated to promptly refund any unconfirmed subscription funds. This initiative by the SSE demonstrates its commitment to fostering a transparent and efficient marketplace for ETF trading. By optimising the online cash subscription process, the SSE aims to provide investors with a seamless experience while ensuring compliance with regulatory standards. For more information, please click [here](#). (Chinese only)

On 30 June 2023, the Cyberspace Administration of China (“CAC”) and the Hong Kong Government will foster Cross- Border Data Flow in the Greater Bay Area. The CAC and the Innovation and Technology Bureau of the Hong Kong Special Administrative Region Government have joined forces to promote the cross-border flow of data within the Guangdong-Hong Kong-Macao Greater Bay Area. This collaborative effort aims to establish secure data flow regulations within the framework of China's national data cross-border security management system, fostering a conducive environment for high-quality development in the region. The recently signed memorandum of cooperation between the CAC and the Hong Kong Government highlights the following key aspects: (1) Establishing Security Rules: Under the framework of China's national data cross-border security management system, the memorandum outlines security rules for the smooth and secure flow of data within the Greater Bay Area. This initiative seeks to facilitate the orderly exchange of data and contribute to the region's overall development. (2) Strengthening Mainland-Hong Kong Data Flow: The cooperation agreement enhances cross-border data flow between mainland China and Hong Kong, leveraging the fundamental role of data. By integrating Hong Kong into the national development landscape, this collaboration supports the city's progressive engagement in various economic sectors. The collaboration between the CAC and the Hong Kong Government marks a significant step towards enhancing data connectivity and promoting innovation in the digital economy of the Guangdong-Hong Kong-Macao Greater Bay Area. By establishing secure data flow regulations, this partnership sets the stage for the region's sustainable growth and positions it as a key hub for high-quality development. For more information, please click [here](#). (Chinese only)

Enforcement

On 2 June 2023, the Asset Management Association of China (“AMAC”) publicly condemned Shenzhen Hengtai Yongcheng Investment Management Co., Ltd. The violations included: public publicity and promotion of private equity funds and failure to update registration information in a timely manner. For more information, please click [here](#). (Chinese only)

On 19 June 2023, the CSRC issued a fine against Northeast Securities Co., Ltd. and its related staff. The violations



included: non-public offering sponsorship business; failure to review the source of funds subscribed by the issuer; and failure to conduct due diligence during the ongoing supervision period. For more information, please click [here](#). (Chinese only)

On June 19, 2023, the Beijing Stock Exchange (“BSE”) issued a circular criticising Shandong Hanxin Technology Co., Ltd. for failing to prudently recognise revenue, resulting in inaccurate forecast information disclosure. For more information, please click [here](#). (Chinese only)



Hong Kong

On 5 June 2023, The Securities and Futures Commission (“SFC”) published the [conclusions](#) of its further consultation on proposed changes to the position limit regime for the derivatives market. The changes include imposing obligations on asset managers who manage funds or sub-funds of umbrella funds and amending the Securities and Futures (Contracts Limits and Reportable Positions) Rules in response to HKEX’s proposed enhancements to its position limit regime. After considering market feedback, the SFC will implement the proposed changes to provide more clarity on regulatory requirements in relation to funds, facilitate compliance, and provide more flexibility to the market by increasing position limits for certain products. The SFC plans for the law changes to come into effect in December 2023, subject to the legislative process. For more information, please click [here](#).

On 6 June 2023, The SFC has published its revised guidance on short selling reporting and stock lending record keeping to prepare for the launch of the HKD-RMB Dual Counter Model in the Hong Kong securities market. The updated [Guidance Note on Short Selling Reporting and Stock Lending Record Keeping Requirements](#) covers inter-counter transactions of securities under the Dual Counter Model, and corresponding revisions have also been made to the [SFC’s Frequently Asked Questions for Short Position Reporting](#). The guidance clarifies that inter-counter transactions of securities under the Dual Counter Model will fall within the current framework, as HKD and RMB counters for the same security are of the same class. For more information, please click [here](#).

On 21 June 2023, the SFC published its [annual report for 2022-23](#), which sets out its recent achievements and vision for ensuring high quality market growth and continuing to uphold world-class regulation to grow Hong Kong’s position as a leading international financial centre. For more information, please click [here](#).

On 27 June 2023, The Green and Sustainable Finance Cross-Agency Steering Group welcomed the publication of the International Sustainability Standards Board’s International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards, which aim to become the global baseline for corporate disclosure of climate and sustainability-related information. The Steering Group also welcomes the reliefs built into the ISSB standards that allow jurisdictions to scale and phase in the requirements, and relevant authorities in Hong Kong will consider aligning the local requirements with this global baseline in a proportionate manner. The IFRS Foundation has opened an ISSB office in Beijing, China, and the Steering Group looks forward to engaging with the ISSB in the sustainability reporting journey and collaborating on capacity building. The Steering Group will maintain a close dialogue with market participants and stakeholders to develop and implement world-class regulation across different financial services sub-sectors, as well as enable Hong Kong to capitalise on climate and sustainability-related opportunities. For more information, please click [here](#).

On 28 June 2023, The Hong Kong Monetary Authority (“HKMA”) and Securities and Futures Commission (“SFC”) announced the joint consultation conclusions on the annual update to the list of Financial Services Providers (FSP List) under the Clearing Rules of over-the-counter (OTC) derivatives regulatory regime. After considering the market feedback, the HKMA and SFC will proceed with the proposed changes to the FSP List. The FSP List includes entities that belong to a group of companies appearing on the list of global systemically important banks published by the Financial Stability Board or on the list of dealer groups that undertook to the OTC Derivatives Supervisors Group to work collaboratively with central counterparties, infrastructure providers, and global supervisors to make structural improvements to the global OTC derivatives markets. The updated FSP List will be gazetted during the fourth quarter of 2023 for implementation on 1 January 2024. For more information, please click [here](#).

Enforcement

On 6 June 2023, The Securities and Futures Commission (“SFC”) banned Xie Yangxiong, a director of Wansom Asset Management (Hong Kong) Limited and Wansom Securities (Hong Kong) Limited, from the industry for life. The SFC found that Xie was directly responsible for providing false and misleading financial information to the SFC in support of the licence applications of both firms in July and August 2018 and for their failures to maintain sufficient liquid capital and notify the SFC of their insufficient liquid capital following the grant of their licences. Xie



deposited and withdrew funds from the bank accounts of WAML and WSL, which he solely controlled, to meet their liquid capital requirements, which, had the withdrawn funds been excluded from the liquid capital calculation, would have resulted in the denial of licences for both firms. For more information, please click [here](#).

On 19 June 2023, the SFC fined Taiping Securities (HK) Co. Limited (TSCL) \$1.3 million for internal control failings in relation to employee dealings between 1 January 2016 and 30 November 2018. The SFC found that TSCL failed to put in place adequate and effective internal controls over monitoring of employee dealings, and senior management, the compliance department, and the responsible officer responsible for monitoring employee dealings did not have a clear and consistent understanding of their roles and duties, nor did TSCL maintain any record of their reviews of employees' transactions. TSCL also failed to communicate its personal dealing policy to all employees and ensure that they understood and followed its policy. The SFC took into account TSCL's remedial measures to enhance its internal systems and controls on employee dealings and its clean disciplinary record in deciding the disciplinary sanctions against the company. For more information, please click [here](#).

On 23 June 2023, four suspects appeared at the Eastern Magistracy charged with fraud and illegal short selling following an operation by the Securities and Futures Commission (SFC) and the Police against fraudulent activities in securities transactions and illegal short selling. The SFC discovered the suspicious trading activities during an investigation of suspected ramp-and-dump activities and referred the case, which involves suspected money laundering and other fraudulent activities, to the Police while investigating market misconduct offences under the SFO. The case has been adjourned to 18 August 2023 and will be transferred to the District Court for trial. The suspects were released on cash bail with several conditions, including not leaving Hong Kong and surrendering all travel documents. No further comment will be made as legal proceedings have commenced. For more information, please click [here](#).



On 13 June 2023, the Securities and Exchange Board of India ("SEBI") issued a circular outlining the regulatory framework for Execution Only Platforms (EOPs) that provide execution services for direct plans of Mutual Fund schemes. EOPs must comply with eligibility criteria, client onboarding, obligations, and reporting requirements. The framework aims to ensure investor protection, transparency, and fair competition while facilitating the growth of the Mutual Fund industry. For more information, please click [here](#).

On 15 June 2023, the SEBI amended the SEBI Alternative Investment Funds Regulations, 2012. In terms of Regulation 23(1), Alternative Investment Funds (AIFs) are required to carry out the valuation of their investments in the manner specified by SEBI from time to time. The SEBI has now specified that the valuation of securities for which valuation norms have already been prescribed under the SEBI (Mutual Funds) Regulations, 1996, shall be carried out as per the norms prescribed under the MF Regulations. For securities that are not covered under these norms, AIFs shall follow the valuation guidelines endorsed by any AIF industry association, which represents at least 33% of the number of SEBI-registered AIFs. For more information, please click [here](#).

On 16 June 2023, the SEBI issued an amendment to Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002, and Rules framed thereunder. The Government of India, through gazette notification [S.O. 1074\(E\)](#) dated March, amended with immediate effect. For more information, please click [here](#).

On 21 June 2023, The SEBI amended the SEBI (Alternative Investment Funds) Regulations, 2012, to provide flexibility to Alternative Investment Funds (AIFs) for dealing with investments of their schemes that are not sold due to a lack of liquidity during the winding-up process. AIFs may either sell such investments to a new scheme of the same AIF (Liquidation Scheme) or distribute such unliquidated investments in-specie. The new regulations include the definitions of "liquidation period" and "liquidation scheme," and Regulation 29(9) allows AIFs to distribute investments of a scheme that are not sold due to a lack of liquidity in-specie to investors or sell such investments to a Liquidation Scheme, subject to approval from at least 75% of the investors by value of their investment in the scheme of the AIF, in the manner and subject to conditions specified by the SEBI from time to time. For more information, please click [here](#).

On 26 June 2023, the SEBI issued a circular regarding the format for the annual secretarial compliance report for Real Estate Investment Trusts (REITs). The circular outlines the requirements for the annual secretarial compliance report, including the appointment of a practising company secretary to examine the compliance of all applicable SEBI Regulations and circulars/guidelines issued thereunder, and provides the format for the report, which is placed at Annex-A. For more information, please click [here](#).



Enforcement

On 19 June 2023, The RBI imposed a monetary penalty of ₹6.00 lakh on The Urban Co-operative Bank Limited, Rourkela, for contravention of/non-adherence with the directions issued by the RBI on Know Your Customer (KYC) and Maintenance of Deposit Accounts - Primary (Urban) Co-operative Banks. The penalty was imposed under the provisions of Section 47 A (1) (c) read with Section 46 (4) (i) and Section 56 of the Banking Regulation Act, 1949, for the bank's failure to adhere to the directions issued by RBI. For more information, please click [here](#).

On 23 June 2023, The RBI imposed a monetary penalty of ₹2.5 crore on Jammu and Kashmir Bank Limited for non-compliance with certain directions issued by the RBI on 'Creation of a Central Repository of Large Common Exposures Across Banks', read with 'Central Repository of Information on Large Credits (CRILC): Revision in Reporting', 'Loans and Advances - Statutory and Other Restrictions', and 'Time-bound implementation and strengthening of SWIFT-related operational controls'. The penalty was imposed under the provisions of Section 47 A (1) (c) read with Section 46 (4) (i) of the Banking Regulation Act, 1949. For more information, please click [here](#).

On 26 June 2023, The RBI imposed a monetary penalty of ₹4.50 lakh on Textile Traders Co-operative Bank Ltd., Ahmedabad, for contravention of directions issued by the RBI on 'Co-operative Banks: Interest Rate on Deposits', 'Customer Protection: Limiting Liability of Customers of Co-operative Banks in Unauthorised Electronic Banking Transactions', and 'Know Your Customer (KYC)'. The penalty was imposed under the provisions of Section 47 A (1) (c). For more information, please click [here](#).

On 26 June 2023, the RBI imposed a monetary penalty of ₹1.00 lakh on The Berhampur Co-operative Urban Bank Ltd., Odisha, for contravention of directions issued by the RBI on 'Exposure Norms and Statutory/Other Restrictions - UCBs' and 'Know Your Customer (KYC)'. The action is based on deficiencies in regulatory compliance and does not intend to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers. For more information, please click [here](#).



Japan

A media search did not find any Regulatory Updates for Japan during June.

Enforcement

On 9 June 2023, the Kanto Local Finance Bureau (henceforth referred to as "KLFB") reinstated the business improvement order issued to FTX Japan on 22 November 2022. In addition, although the order for assets to remain within Japan issued on 9 March 2023 expired on 9 June 2023, the KLFB notes that FTX Japan is still subject to Chapter 11 proceedings in the United States, and all measures must be taken to prevent assets from flowing out of Japan to protect investors. For more information, please click [here](#) (Japanese only).

On 9 June 2023, the KLFB cancelled the money broker registration of Union Securities and issued a business improvement order to the Company. The company was found to have engaged in 56 unregistered offerings or private placements in collective investment schemes, equaling ¥1.227 billion yen (roughly \$8.5 million USD). The act was deemed to have occurred because the former representative director considered and commenced the soliciting of equity investment into voluntary partnerships without a good understanding of relevant laws and regulations, and the current representative director overlooked this act, and followed in the direction of their predecessor. For more information, please click [here](#) (Japanese only).

On 14 June 2023, the KLFB issued a business improvement order against Honey B. LLC. The Company failed to submit a business report to the KLFB, which it is required to do within 3 months after the end of each business year. For more information, please click [here](#) (Japanese only).

On 14 June 2023, the KLFB issued a business improvement order against Vital Edge. The Company failed to submit a business report to the KLFB, which it is required to do within 3 months after the end of each business year. For more information, please click [here](#) (Japanese only).

On 16 June 2023, the Kanto Local Finance Bureau (henceforth referred to as "KLFB") cancelled the registration of Ronnaru Forex KK for multiple violations uncovered during an inspection, including the submission of false business



reports, below-threshold capital issues, and a lack of human resources. During the inspection, it was found that roughly 99.9% of the Company's revenue came from consulting services to a company in China; however, this revenue was reported as sales revenue. During the inspection, many issues regarding conflicts of interest, misreporting consultancy fees as sales revenue, and a lack of evidence that consultancy services were provided were uncovered, including a case where JPY 19 million of revenue was reported as consultancy fees, but the fees were found to have been paid from an account in representative Inoue's own name. The inspection also found that according to the Company's balance sheets, the majority of its assets were held in cash, for example, JPY 71 million, or 91.3% of total assets at the end of August 2022. However, the existence of this cash could not be confirmed during the inspection because, according to the representative Inoue, this cash was kept at his personal home without giving a rational explanation as to why this was the case. Furthermore, it was found that in the past, when the Company was required to demonstrate the existence of such cash assets, it had received deposits from a Company owned by an acquaintance of representative Inoue, which was later refunded. There would be no need for these transactions if the cash assets did exist, and therefore the KLFB determined that these cash assets did not exist in reality, and therefore the Company's net assets and liquid capital are below the stipulated legal threshold. For more information, please click [here \(Japanese only\)](#).

On 23 June 2023, the KLFB issued a business improvement order against Chibagin Securities KK for its long-term and continuous solicitation of complex structured bonds without an adequate suitability assessment. It was found that 80 customers who had been onboarded had not had their investment experience ascertained, and of these, 34 customers were found to have either no investment experience or insufficient investment experience to invest in complex structured bonds. The Company was found to have an insufficient understanding of the suitability principle and insufficient systems regarding suitability assessment. It received a large number of complaints from customers who were sold complex structured bonds regarding its failure to assess suitability, and furthermore the Company failed to appropriately analyse these complaints and make changes to the business. For more information, please click [here \(Japanese only\)](#).

On 23 June 2023, the KLFB issued a business improvement order for Chiba Bank. The company had an introducer brokers agreement with Chibagin, wherein there were internal revenue targets for introducing certain product types, such as structured bonds. In order to meet these targets, employees at the bank went beyond only giving an outline of the products offered by Chibagin Securities and were found to have engaged in enticing customers into buying structured bonds without assessing suitability. In addition, the bank was found to have inadequate control systems due to it not adequately analysing the cause of complaints and remediating them. Furthermore, inadequate control systems led to senior management not being aware, in spite of many complaints, that the system incentivized employees to explain beyond a general outline of products offered in order to meet revenue targets for specific products. For more information, please click [here \(Japanese only\)](#).

On 23 June 2023, the KLFB issued a business improvement order for Musashino Bank. The company had an introducer brokers agreement with Chibagin Securities, wherein there were internal revenue targets for introducing certain product types, such as structured bonds. In order to meet these targets, employees at the bank went beyond only giving an outline of the products offered by Chibagin Securities and were found to have engaged in enticing customers into buying structured bonds without assessing suitability. In addition, the bank was found to have inadequate control systems; for example, it was found that several joint trainings were conducted with Chibagin Securities, who prepared and delivered the lectures with a bias in favour of structured bonds and without reviewing the content from the perspective of investor protection. Furthermore, inadequate control systems led to senior management not being aware, in spite of many complaints, that the system incentivized employees to explain beyond a general outline of products offered in order to meet revenue targets for specific products. For more information, please click [here \(Japanese only\)](#).



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Korea

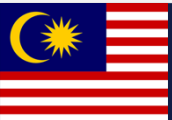
On 5 June 2023, The South Korean government approved a revision bill of the Enforcement Decree of the Financial Investment Services and Capital Markets Act, abolishing the foreign investor registration requirement. The foreign investor registration system has been in place since 1992, requiring foreign investors to register with the Financial Supervisory Service prior to investing in locally listed securities. This has been pointed out as a significant barrier for foreign investors to invest in Korean stock markets, as the process is time-consuming and requires much paperwork. The revision aims to make Korean regulations more consistent with global standards, as major advanced economies such as the U.S. and Japan do not implement this kind of registration requirement for foreign investors. The system will be abolished starting from December 14, 2023. For more information, please click [here](#).

On 21 June 2023, The Financial Services Commission of South Korea finalised the 6th financial hub development plan for 2023-2025, with four key task areas to enhance the global competitiveness of the Korean financial industry. The plan includes seeking innovation in financial regulations, establishing relevant infrastructure, overhauling regulations to increase global investors' investment in domestic capital markets, and providing active support for domestic financial companies' business expansion overseas. The plan aims to quickly respond to the changing global financial environment and make use of areas where the Korean financial industry has a comparative advantage. For more information, please click [here](#).

On 30 June 2023, The National Assembly of South Korea passed the Act on the Protection of Virtual Asset Users, which aims to guarantee the protection of assets held by virtual asset users, regulate unfair transaction activities in the virtual asset market, and confer market oversight and sanctions authority to the Financial Services Commission (FSC). While virtual asset service providers have been regulated since March 2021, the current regulatory framework has limitations in responding to unfair transaction activities, preventing damages to users, and effectively supervising and sanctioning VASPs. The new law seeks to address these issues and provide relief measures for victims. For more information, please click [here](#).

Enforcement

A media search did not find any relevant enforcement for Korea during June.



Malaysia

On 19 June 2023, The Securities Commission Malaysia ("SC") and Bursa Malaysia Berhad welcomed the announcement by the Prime Minister and Minister of Finance, Dato' Seri Anwar bin Ibrahim, aimed at driving Malaysia's economic growth and capital market competitiveness. The measures address three key pillars essential to the growth and development of the capital market in Malaysia: creating market vibrancy with greater participation opportunities for the public, attracting a larger pool of investors to support financing for small and medium-sized enterprises and new economy companies, and enhancing Malaysia's competitiveness to strengthen market confidence. The short-term and medium-term measures are expected to drive the growth of the Malaysian capital market. For more information, please click [here](#).

Enforcement

On 16 June 2023, the Securities Commission Malaysia's Audit Oversight Board prohibited audit partners Chia Kwong Chow and Tai Yoong Noor of K. C. Chia & Noor from accepting and auditing any public interest entities or schedule funds for 12 months, effective from May 10, 2023. The AOB has also imposed fines of RM50,000 and RM25,000 on Chia and Tai, respectively. The action was taken because Chia, the engagement partner, failed to assess the appropriateness of a public interest entity capitalising a significant amount of consultation fees as deferred expenditure in accordance with Malaysian Financial Reporting Standards requirements. Additionally, Chia failed to obtain sufficient appropriate audit evidence to verify a significant number of transactions with incomplete



records of deferred expenditure, and no alternative audit procedures were performed to verify these incomplete records. For more information, please click [here](#).



Singapore

On 26 June 2023, The Monetary Authority of Singapore ("MAS") published a report proposing a framework for designing open, interoperable networks for digital assets in collaboration with subject matter experts at the Bank for International Settlements' Committee on Payments and Market Infrastructure (CPMI) and participating financial institutions. The report, titled "Enabling Open and Interoperable Networks," considers how the CPMI-IOSCO principles for financial market infrastructures can be applied to evolving models of digital asset networks, taking reference from industry pilots launched under Project Guardian. The report aims to ensure that emerging digital asset networks are underpinned by international standards that promote safe and efficient financial market infrastructure. For more information, please click [here](#).

On 28 June 2023, The MAS launched a public consultation on an industry code of conduct for providers of Environmental, Social, and Governance (ESG) ratings and data products. The proposed code of conduct, co-created by MAS with industry players, sets minimum industry standards for transparency in methodologies and data sources, governance, and management of conflicts of interest. MAS will monitor the implementation of the industry code and observe global developments before formalising a regulatory framework for ESG rating providers. This move highlights the importance of ESG ratings and data products and aims to establish a common set of standards to ensure transparency and consistency in the industry. For more information, please click [here](#).

Enforcement

On 1 June 2023, The MAS issued five-year prohibition orders against six former agents of Great Eastern Financial Advisers Private Limited (GEFA) following their convictions for tax evasion offences under the Income Tax Act. The former agents, who were part of the same team in GEFA, engaged a third party to falsely inflate their business expenses for their income tax returns, reducing their income taxes by \$124,648 for the 2018 and 2019 years of assessment. Under the prohibition orders, the six former agents are prohibited from providing any financial advisory service, taking part in the management of any financial advisory firm, or carrying on business as, and taking part in the management of, any insurance intermediary. The orders will take effect from June 1, 2023, and will last for five years. For more information, please click [here](#).

On 21 June 2023, The MAS imposed composition penalties totaling S\$3.8 million on Citibank N.A., Singapore Branch, DBS Bank Ltd., OCBC Singapore, and Swiss Life (Singapore) Pte. Ltd. for breaching the MAS' Anti-Money Laundering and Countering the Financing of Terrorism requirements. The financial institutions were found to have inadequate AML/CFT controls in place when dealing with persons linked to Wirecard AG or its related parties. The breaches were identified during MAS' examinations of the institutions following news of irregularities relating to Wirecard AG's financial statements and alleged the involvement of Singapore-based individuals and entities in the matter. All the financial institutions have accepted the penalties. For more information, please click [here](#).



Taiwan

On 13 June 2023, The Financial Supervisory Commission ("FSC") proposed amending the "Directions for Encouraging the Public to Report Illegal Financial Activities by the Financial Supervisory Commission" to increase incentives for whistleblowers to report illegal financial activities. The amendments propose raising the reward for reporting serious illegal financial activities from NT\$4 and NT\$2 million to NT\$5 million and NT\$2.5 million, respectively. The proposed changes aim to encourage the public to report illegal financial activities and maintain consistency with the actual types of penalties imposed by the FSC. For more information, please click [here](#).

Enforcement



On 12 June 2023, I-SEE VISION TECHNOLOGY INC. was fined NT\$240,000 for violating Paragraph 3 of Article 14 of the Securities and Exchange Act and Article 3 of the Regulations Governing the Qualification Requirements and Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges. The violation occurred because the financial statement for 2022 Q4 presented upon regulatory filing was not signed or sealed by the required accounting manager, which is necessary under the aforementioned regulations. As a result, the company was sentenced to pay the fine in accordance with Paragraph 1(2) of Articles 178 and 179 of the Securities and Exchange Act. For more information, please click [here](#).

Suggestions

Please send any comments or suggestions or other information you would like included in the next issue to communications@complianceasia.com. In addition, if there are others in your organisation who you believe will benefit from this newsletter, please do let us know.



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