



Regulatory Update: Revised Financial Return Form – Effective 1st January 2022

On 26 June 2020, the Securities and Futures Commission (“SFC”) published the draft of the revised financial return form required to be submitted by licensed corporations (“LCs”) under section 56 of the Securities and Futures (Financial Resources) Rules.

The new form shall only be used for accounting periods starting on or after 1st January 2022.

The financial soundness and prudential risks of LCs are a major focus of the SFC, hence, the form has been revised to collect additional data from LCs so the SFC is able to identify risks in a timely manner, take prompt supervisory action and protect investors.

There are a number of changes to the form so LCs are strongly advised to review the form and start gathering the additional data required. To review the new form, please click [here](#).

This update provides an overview of the key changes.

Key Changes

Form 1 Main Section (4)

- Expanded Type 6 regulated activity to include with or without sponsor work licensing condition

Type 6:

- (a) Advising on corporate finance and it is subject to specified licensing condition **but not subject to no sponsor work licensing condition (Note 2)**
- (b) Advising on corporate finance and it is subject to specified licensing condition and no sponsor work licensing condition
- (cb) Advising on corporate finance and it is not subject to specified licensing condition **but subject to no sponsor work licensing condition**
- (d) Advising on corporate finance and it is not subject to specified licensing condition and no sponsor work licensing condition

Form 1 Assets

- Expanded Item 18 to include securities borrowing or lending agreements and repurchase transactions

18	Other assets arising from	26, 32, 33 & 35		
	- advising on securities and/or futures contracts	[1043]	0	0
	- advising on corporate finance	[1045]	0	0
	- asset management	[1047]	0	0
	- amounts receivable from group companies or other related parties			0
	- provision of credit rating services	[1049A]	0	0
	- securities borrowing and lending agreements	[1049C]	0	0
	- repurchase transactions	[1049E]	0	0
	- others	[1050]	0	0

Form 1 Liabilities & Fin Adj

- Expanded Item 28 to included securities borrowing or lending agreements and repurchase transactions

28	Other payables and liabilities	45(4), 46(3), 53(1)(a) - (e) & (h)		
	- loans and overdrafts from authorized financial institutions		[1075]	0
	- loans and overdrafts from other financial institutions		[1077]	0
	- amounts payable to group companies or other related parties		[1079]	0
	- amounts payable to borrowers under securities borrowing and lending agreements		[1080A]	0
	- amounts of consideration for securities sold in repurchase transactions		[1080C]	0
	- accruals, amounts payable and other liabilities other than approved subordinated loan		[1081]	0

- Expanded Note 4 to include top 5 authorized financial institutions or approved banks incorporated outside Hong Kong holding the largest aggregate amount of money of the licensed corporation in other accounts

Note 4: Amounts of "bank balances held in other accounts and cash in hand" included in liquid assets are comprised of:

Bank balances -	(HK\$'000)
- Encumbered or pledged	0 [1107]
- Unencumbered	0 [1108]
Cash in hand	0 [1109]
Amounts included in cell 1009	0 [1110]

Top 5 authorized financial institutions or approved banks incorporated outside Hong Kong holding the largest aggregate amount of money for the licensed corporation in other accounts

Ranking	Name of authorized financial institution or approved bank incorporated outside Hong Kong	Geographical location	Is it an affiliate of the licensed corporation?	Amount held in other accounts (HK\$'000)
[1]		(drop-down options: Hong Kong, outside Hong Kong)	(drop-down options: Yes, No)	0 [1]
[2]				0 [2]
[3]				0 [3]
[4]				0 [4]
[5]				0 [5]

- Added Note 6 to capture detailed information on proprietary positions

Note 6: Analysis of proprietary positions in securities and specified investments

(A) Analysis by product type

Listed shares (including exchange traded funds ("ETFs") and listed real estate investment trusts ("REITs") but excluding debt securities)	Market value (HK\$'000)
Debt securities	0 [1111A]
Investment funds (excluding ETFs and listed REITs)	0 [1111B]
Others	0 [1111C]
Amounts included in cell 1022	0 [1111D]
	0 [1111E]

(B) List of individual proprietary position in securities and specified investments with a market value representing over 10% of the excess liquid capital reported in cell 1105 (ranked in descending order of the market value) (please provide up to 50 investments)

Ranking	Name of product	Nature of product	Stock code / sedol no. / ISIN code	Market Value (HK\$'000)
[6]		(drop-down options: Listed shares (including ETFs and listed REITs but excluding debt securities), Debt securities, Investment funds (excluding ETFs and listed REITs), Others)		0 [6]
[7]				0 [7]
[8]				0 [8]
[9]				0 [9]
[10]				0 [10]

Button: Add Extra Row Button: Delete Extra Row

- Added Note 7 to capture detailed information on futures and unlisted options contracts

Note 7: Analysis of ranking liabilities relating to futures & unlisted options contracts

For house account	(HK\$'000)
For client account (i.e. margin shortfall)	0
	0



Form 2 Part (II)

7. Expanded Part II to capture detail information on stocks options and futures and unlisted options trading platforms

Add:	Aggregate of initial margin requirements and amounts of margin required to be deposited in respect of outstanding futures and unlisted options contracts held on behalf of clients (J):	[2008]	0
	(a) Futures and unlisted options contracts (excluding stock options contracts) traded on		
	- Hong Kong Futures Exchange Limited (J)	[2008A]	0
	- other markets (K)	[2008B]	0
	(b) Stock options contracts traded on		
	- the Stock Exchange of Hong Kong Limited (L)	[2008C]	0
	- other markets (M)	[2008D]	0

Form 7 Section (E)

8. Added income arising from the securities borrowing and lending and repurchase transactions

Income arising from:		
- underwriting and placing of securities	0	[7069]
- advising on securities and/or futures contracts	0	[7072]
- advising on corporate finance	0	[7075]
- provision of automated trading services	0	[7078]
- provision of asset management services	0	[7081]
- management fees charged on group companies or other related parties (Note 5)	0	[7084]
- provision of credit rating services	0	[7086A]
- securities borrowing and lending and repurchase transactions (excluding interest income)	0	[7086D]

Form 7 Notes 5 and 7

9. Added a breakdown for Management Fees received by LCs from profit or loss trading or expense recharge

Note 5:	Management fees charged on group companies arising from	(HK\$'000)
	- trading profit sharing	0
	- expenses recharge	0
	- others (please specify if the item exceeds 30% of the total income reported in cell 7093)	0
	<input type="text"/>	[7146D]

Note 7:	Management fees charged by group companies arising from	(HK\$'000)
	- trading loss sharing	0
	- expense recharge	0
	- others (please specify if the item exceeds 30% of the total overheads reported in cell 7126)	0
	<input type="text"/>	[7160A]



Form 12

10. Expanded its structure to report with number of active clients by client type, service type, and geographical location of the client separately

A. Client-to-Client profile

Please analyze client profile as follows:
Number of active clients (Note 2)

(i) By service type and geographical location of the client (Note 3)

Row	Asia Pacific excluding Hong Kong and Mainland China					Total Number of active clients (Note 2)
	Hong Kong	Mainland China	United States of America	Others		
Securities clients (other than clients dealing in stock options contracts)						
- cash clients	[1]	0	0	0	0	0
- rolling balance cash clients	[2]	0	0	0	0	0
- margin clients	[3]	0	0	0	0	0
Futures and options (including stock options) clients	[4]	0	0	0	0	0
Leveraged foreign exchange trading clients	[5]	0	0	0	0	0
Clients of the licensed corporation which is remunerated for— —advising on securities, futures contracts and/or corporate —finance and/or providing asset management services						0
Clients to whom the licensed corporation provides services of						
- advising on securities or futures contracts	[7]	0	0	0	0	0
- advising on corporate finance	[8]	0	0	0	0	0
- asset management	[9]	0	0	0	0	0
Others	[10]	0	0	0	0	0

(ii) By client type

Institutional Professional Investors (Note 4)	0
Corporate Professional Investors (Note 4)	0
Individual Professional Investors (Note 4)	0
Others (Note 4b)	0
Total	0

11. Revised AUM reporting structure to replace the current reporting breakdown with hedge fund strategies, private equity strategies, passive index tracking and other strategies. Column numbers also expanded to report collective investment schemes, open-ended fund companies, discretionary accounts and other asset management clients respectively

B. Aggregate net value of assets under management ("AUM") by investment strategy and account type (to be reported by licensed corporation licensed for Type 9 regulated activity asset management)

1- Authorized unit trusts and mutual funds
2- Other collective investment schemes
3- Others (including pension funds and discretionary accounts)

(HK\$'000)

	Collective investment schemes (excluding open-ended fund companies)		Open-ended fund companies		Discretionary accounts			Other asset management clients (Note 5)	Total	
	SFC-authorized	Others	SFC-authorized	Others	Discretionary accounts held by (i) directors, shareholders or employees of the licensed corporation, or (ii) group affiliates of the licensed corporation	Discretionary accounts held by other individuals	Other discretionary accounts (including sovereign, non-group affiliated corporate, institutional professional investor and pension fund accounts etc.)			
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	
- Hedge fund strategies (A)	[11]	0	0	0	0	0	0	0	0	[C100F] [11]
- Private equity strategies (B)	[12]	0	0	0	0	0	0	0	0	[C100G] [12]
- Passive index tracking (excluding those reported under (A) and (B) above) (C) (Note 6)	[13]	0	0	0	0	0	0	0	0	[C100H] [13]
- Other strategies (D)	[14]	0	0	0	0	0	0	0	0	[C100I] [14]
Total aggregate net value of AUM assets under management: (A) + (B) + (C) + (D)	[C107A]	[C108A]	[C107B]	[C108B]	[C109A]	[C109B]	[C109C]	[C109D]	[C110]	0

Majority of the remaining changes are mainly an update to the terminology that was used in the previous version of the financial return.

How We Can Help

ComplianceAsia assists a large number of our clients with their FRR filings. We are also involved in various notifications to the SFC relating to the financial resources return.

We can assist with the preparation or the review of the financial return to ensure that it is correctly completed based on management accounts. If you have any questions regarding the updated financial return, please contact one of our Professionals who would be happy to assist and discuss the changes.



About ComplianceAsia

ComplianceAsia is the longest established compliance consulting firm in Asia Pacific established in 2003 with offices in Hong Kong, Shanghai, Singapore, Tokyo and London. We have an unmatched track record of completing complex compliance consulting projects for financial firms in the APAC region.

With over 70 staff, including compliance experts with experience in dealing with the SFC, HKMA, MAS, CSRC, JFSA and Asian exchanges, we provide independent, unbiased advice on Asian financial industry legislation and regulations. Our international client base consists of asset managers, hedge funds, private equity funds, family offices, broker-dealers, insurers, wealth managers and investment banks.

Contact Us Today

HONG KONG SAR

Suite 1102
ChinaChem Tower
34-37 Connaught Road
Central

T: +852 2868 9070

SINGAPORE

137 Telok Ayer Street
#03-06
Singapore 068602

T: +65 6533 8834

MAINLAND CHINA

Room 132, Unit 1301-1308
13/F, Shanghai Tower
No.479 Lujiazui Ring Road
Pudong New Area Shanghai

T: +86 147 1431 1859

JAPAN

Level 2
Marunouchi Nijubashi Building
3-2-2 Marunouchi Chiyoda-ku
Tokyo 100-0005

T: +81 3 6837 5483

UNITED KINGDOM

1 St. Andrew's Hill
London
EC4V 5BY

T: +44 (0) 20 7236 0921
M: +44 (0) 7310 972435

Philippa Allen

CEO
E: philippa.allen@complianceasia.com

Alex Duperouzel

Managing Director
E: alex.duperouzel@complianceasia.com

Cherry Chan

Regional Head of Ongoing Support
and Client Services
E: cherry.chan@complianceasia.com

Lachlan Chubb

Regional Head of Regulatory Advisory
and Projects
E: lachlan.chubb@complianceasia.com

Rachel Wu

Regional Head of Business Development
and Compliance Manager
E: rachel.wu@complianceasia.com

Brian Shiu

Regional Head of Marketing
E: brian.shiu@complianceasia.com

www.complianceasia.com



ComplianceAsia