

Welcome to our Regulatory Newsletter September to October 2023

Executive Summary

This month in Australia, ASIC published its annual licensing report, “722 Licensing and professional registration activities: 2023 update” (REP 772). The report provides a comprehensive overview of ASIC’s activities related to licensing and professional registration, including a discussion of new and proposed changes to processes.

Meanwhile in India, the SEBI issued an amendment to the Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT). The amendment pertains to the obligations of securities market intermediaries under the Prevention of Money-Laundering Act, 2002, and the rules framed therein.

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



Australia



Hong Kong



Malaysia



Singapore



India



Japan



South Korea



Taiwan



Australia

On 7 September 2023, Australian Securities and Investment Commission (“ASIC”) announced the release of four new legislative instruments and updated guidance related to the financial resource requirements for certain categories of Australian financial services licensees and platforms. These new legislative instruments were developed following industry consultation and aim to provide clearer guidelines and requirements for licensees and platforms operating in the financial services sector. They cover aspects such as the calculation of financial resources, the treatment of assets and liabilities, and the disclosure of financial information. These legislative instruments have an expiration date of 1 October 2028. For more information, please click [here](#).

On 21 September 2023, ASIC published its annual licensing report, titled “772 Licensing and professional registration activities: 2023 update” (REP 772). The report provides a comprehensive overview of ASIC’s activities related to licensing and professional registration, including a discussion of new and proposed changes to processes. It also highlights other initiatives undertaken by ASIC that have an impact on licensees. Warren Day, the Chief Executive Officer of ASIC, emphasized the crucial role played by ASIC’s Licensing function as a gatekeeper. The function ensures that individuals and organizations seeking Australian financial services licenses, credit licenses, or professional registration meet the rigorous standards required to offer regulated services in the country. For more information, please click [here](#).



Enforcement



On 8 September 2023, ASIC imposed a permanent ban on Mark Peter Thomas, the former CEO, prohibiting him from engaging in any activities related to the operation of a financial services business or credit provider. The ban was enacted due to Mr. Thomas’s conviction for dishonestly using his position as a director of Blueprint Investment Management Limited, a subsidiary of van Eyk Research based in New Zealand and engaging in dishonest conduct. The ban serves as a regulatory action by ASIC to prevent individuals with a history of misconduct from participating in financial services or credit provision. For more information, please click [here](#).



Hong Kong

On 20 September 2023, the Securities and Futures Commission (“SFC”) released a statement addressing the concerns regarding suspicious practices and activities of JPEX, as well as false and misleading claims made by JPEX regarding its communication with the SFC. The SFC expresses regret over JPEX’s breach of secrecy and confidentiality provisions by publicizing confidential correspondence between the SFC’s Enforcement Division and JPEX, violating the Securities and Futures Ordinance (SFO) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO). For more information, please click [here](#).



On 25 September 2023, the SFC announced steps to enhance information dissemination and investor education regarding unregulated virtual asset trading platforms (VATPs). Recognizing the potential benefits and risks associated with virtual asset (VA) activities, the SFC aims to address concerns and promote investor protection. As one of the first major financial regulators to introduce a comprehensive regulatory framework for VA-related activities since 2017, the SFC acknowledges the importance of VA trading within the Web3 ecosystem. For more information, please click [here](#).

On 28 September 2023, regulatory bodies, including the People’s Bank of China, Hong Kong Monetary Authority, and others, decided to enhance the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). This initiative aims to deepen financial cooperation, promote synergy, and facilitate cross-border wealth management activities within the GBA. The enhanced Scheme will provide residents with more investment options and contribute to the economic development of the region. For more information, please click [here](#).





Enforcement

On 29 September 2023, the Securities and Futures Appeals Tribunal (“SFAT”) issued a decision affirming the disciplinary action taken by the SFC against Mr. Calvin Choi Chi Kin, a former managing director of UBS AG. As a result, Mr. Choi has been barred from re-entering the industry for a period of two years, starting from September 29, 2023, until September 28, 2025. The disciplinary action was imposed due to Mr. Choi’s violations of both the SFC’s Code of Conduct and the CFA Code of Conduct. For more information, please click [here](#).

On 6 October 2023, the SFC initiated legal proceedings in the Court of First Instance (CFI) against eight current or former directors of FingerTango Inc. The SFC is seeking disqualification orders against these individuals, alleging corporate misconduct and breaches of their duties towards FingerTango. Additionally, the SFC is pursuing a compensation order against six of the directors. Furthermore, the SFC is requesting a court order for FingerTango to appoint an independent external auditor. For more information, please click [here](#).

On 11 October 2023, the SFC imposed a seven-year ban on Mr. Ivan Chan Chuk Cheung, a former responsible officer (RO) of Changjiang Corporate Finance (HK) Limited (CJCF). The ban prohibits Mr. Chan from re-entering the industry from October 10, 2023, until October 9, 2030. This disciplinary action stems from Mr. Chan’s failure to fulfill his supervisory duties as a sponsor principal involved in five listing applications. The SFC’s decision follows previous sanctions imposed on CJCF for significant and widespread failures in fulfilling its obligations as a sponsor in six listing applications. For more information, please click [here](#).



Singapore

On 19 September 2023, the Monetary Authority of Singapore (“MAS”) released its 4th Enforcement Report, highlighting the rigorous enforcement measures taken against financial institutions (FIs) and individuals involved in market abuse, financial services misconduct, and money laundering (ML) offenses. The report, spanning from January 2022 to June 2023, provides details on the enforcement actions conducted by MAS to address breaches of its regulatory requirements. Notable enforcement actions featured in the report include high-profile cases involving four financial institutions implicated in transactions with Wirecard-linked individuals. For more information, please click [here](#).

On 5 October 2023, the MAS released key information on the project Mandala, launched by the Bank for International Settlements (BIS) and its central bank partners, which aims to investigate the integration of policy and regulatory compliance into cross-border transactions. The project seeks to automate compliance procedures, enhance real-time transaction monitoring, and improve transparency and visibility concerning country-specific policies. For more information, please click [here](#).



Enforcement

On 5 September 2023, the MAS announced the issuance of lifetime prohibition orders (POs) against Mr. Ng Chong Hwa, also known as Roger Ng, a former Managing Director of Goldman Sachs (Singapore) Pte. The imposition of these POs comes in response to Mr. Ng’s conviction in the United States for his involvement in a conspiracy to launder funds embezzled from 1Malaysia Development Berhad (1MDB) and his violation of the Foreign Corrupt Practices Act (FCPA) of the United States. The lifetime POs prohibit Mr. Ng from engaging in any regulated activity and from taking part in the management, acting as a director, or becoming a substantial shareholder of any capital market services firm in Singapore. For more information, please click [here](#).

On 14 September 2023, the MAS imposed nine-year prohibition orders (POs) against Mr. Zhu Su and Mr. Kyle Livingston Davies for violating the Securities and Futures Act 2001 (SFA) and Securities and Futures (Licensing and Conduct of Business) Regulations (SFR) by failing to notify MAS of employment of a representative, providing false information to the MAS about that representative’s employment and failing to have in place appropriate risk management framework: TACPL did not have in place a risk management framework to identify, monitor, and address risks associated with the cryptocurrency and digital asset investments under its management. Mr. Zhu served as the Chief Executive Officer and Director of Three Arrows Capital Pte Ltd (TACPL), while Mr. Davies held the positions of Chairman and Director. For more information, please click [here](#).



India

On 14 September 2023, the Securities and Exchange Board of India (“SEBI”) issued a Circular addressing all Alternative Investment Funds (AIFs) and AIF industry associations. The circular pertains to regulatory reporting requirements for AIFs. According to Regulation 28 of SEBI (AIF) Regulations, 2012, and Clause 15.1 of the SEBI Master Circular for AIFs dated July 31, 2023, AIFs are required to submit quarterly reports to SEBI regarding their activities. In order to promote uniform compliance standards, simplify reporting, and serve regulatory and developmental purposes, the existing quarterly reporting format has been reviewed in consultation with industry associations, namely the Indian Venture and Alternate Capital Association (IVCA) and Equalifi. A revised reporting format has been prepared and will be made available on the websites of the AIF associations within two working days of the circular’s issuance. For more information, please click [here](#).

On 3 October 2023, SEBI released a circular on a centralized mechanism for reporting and verifying the demise of an investor that is being introduced to streamline the process of transmission in the securities market. The circular outlines the operational guidelines, including the responsibilities of regulated entities and registered intermediaries that interact with individual investors or account holders. Additionally, listed companies that wish to offer access to this centralized mechanism to their investors who hold securities in physical form are eligible to establish connectivity with the central mechanism through their Registrar and Transfer Agents (RTAs). For more information, please click [here](#).

On 13 October 2023, SEBI issued an amendment to the Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT). The amendment applies to all intermediaries registered with SEBI under Section 12 of the Securities and Exchange Board of India Act, 1992, as well as stock exchanges. The amendment pertains to the obligations of securities market intermediaries under the Prevention of Money-laundering Act, 2002, and the rules framed therein. For more information, please click [here](#).



Enforcement

On 25 September 2023, The Reserve Bank of India (“RBI”) imposed a monetary penalty of 162 crore on Indian Bank for non-compliance with certain directions issued by the RBI. The penalty is in relation to the bank’s failure to comply with directives on ‘Loans and Advances - Statutory and Other Restrictions’, ‘Reserve Bank of India [Know Your Customer (KYC)] Directions, 2016’, and ‘Reserve Bank of India (Interest Rate on Deposits) Directions, 2016’. For more information, please click [here](#).

On 25 September 2023, the RBI issued an order imposing a monetary penalty of 8.80 lakh on Fedbank Financial Services Limited (the company). The penalty is a result of the company’s non-compliance with certain provisions of the Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016. For more information, please click [here](#).



Malaysia

On 26 September 2023, the Securities Commission Malaysia (“SC”) signed an MoU with SME Corporation Malaysia (SME Corp. Malaysia) to improve access to capital market financing for micro, small, and medium enterprises (MSMEs). The three-year agreement aims to develop a pipeline of capital market-ready MSMEs, enhance sustainability practices, and promote corporate governance. The goal is to create 200 capital market-ready MSMEs by 2026 and increase awareness of sustainability and governance best practices among 300 MSMEs. This collaboration supports the growth and resilience of MSMEs, which are vital for economic growth. For more information, please click [here](#).

Enforcement

No enforcement actions for Malaysia.



South Korea

On 26 September 2023, the Financial Services Commission (“FSC”) held its 3rd consultative body meeting on mutual financial businesses, involving relevant government ministries and mutual financial businesses. During the meeting, the authorities agreed to develop a joint plan to revamp and modernize the existing regulatory framework for mutual financial businesses. This update is necessary to accommodate the sector’s growth and adapt to changes in its operating environment. The mutual finance industry has experienced significant expansion, with total assets increasing from KRW 475 trillion at the end of 2013 to over KRW 1 quadrillion by the end of June 2023. Some entities within the industry have even reached a scale comparable to that of regional commercial financial institutions. These developments highlight the need for regulatory adjustments and enhanced monitoring to ensure the stability and soundness of mutual financial businesses. For more information, please click [here](#).

On 4 October 2023, Chairman Kim Joo-hyun of the Financial Services Commission visited Japan to enhance collaboration in the financial sectors between the two countries. During his trip, Chairman Kim met with his Japanese counterpart at the Financial Services Agency (FSA) and agreed to restart the shuttle meetings between the financial authorities of both nations. The visit aimed to strengthen bilateral ties and promote cooperation in the financial industry between South Korea and Japan. For more information, please click [here](#).

Enforcement

No Enforcement actions for South Korea.



Taiwan

On 12 September 2023, the FSC in Taiwan announced plans to amend regulations governing banks providing financial products and services for high-asset customers. The amendments aim to promote the development of the wealth management industry and include exemptions for overseas customers in certain cases and expanded eligibility criteria for banks. These changes provide flexibility and support for banks dealing with high-asset customers in Taiwan. For more information, please click [here](#).

On 19 September 2023, the Financial Supervisory Commission (“FSC”) launched a dedicated Financial Fraud Prevention area on its website. This section aims to educate the public about common financial fraud cases and provide guidance on how to prevent falling victim to scams. The FSC is committed to regularly updating the information in this area to ensure that people have access to the latest fraud prevention resources and can enhance their ability to identify and avoid financial frauds. For more information, please click [here](#).



Enforcement

On 15 September 2023, Horizon Securities Co., Ltd. and its former associated person, XX Chen, were sanctioned. The violation occurred when an audit conducted by the Taiwan Stock Exchange Corporation revealed that XX Chen had engaged in various illegal activities, including accepting customers’ discretionary orders and sharing profits, disclosing customer order information through the LINE communication software, conducting securities transactions on behalf of customers through other firms’ accounts, providing loans to customers, and using customer accounts for personal transactions. As a result, Horizon Securities Co., Ltd. received a fine of NT\$480,000. For more information, please click [here](#).

On 21 September 2023, Zheng○○ a Certified Public Accountant was imposed with a fine of NT\$200,000. The fine was issued based on violations of Paragraphs 5 of Article 6 and Paragraphs 5 of Article 7 of the Money Laundering Control Act. The violation occurred due to the failure of Zheng○○ Certified Public Accountant to handle matters related to money laundering prevention in accordance with regulations. For more information, please click [here](#).



Japan



On 1 September 2023, the Financial Services Authority (“FSA”) released a revised draft of “Guidelines for creating, record keeping, and reporting of transaction information specified in Article 4(1) of the Cabinet Office Order on the Regulation of Over-the-Counter Derivatives Transactions, etc”. The draft introduces “Unique Product Identifier (UPI) and Delta”, which are a unique set of characters that represent a particular OTC derivative. These were not included in the reporting requirements to be introduced April 2024, but are planned to be implemented from April 7 2025. For more information, please click [here](#) (Japanese only).

On 6 September 2023, the FSA released proposed amendments to the Administrative Guidelines, particularly relating to crypto-asset exchange dealers. The specific amendments relate to information disclosure, and supervisory measures to be taken in the case where the crypto-asset exchange dealer has an overseas parent company. The amendments also include measures to be taken where a crypto asset exchange dealer utilizes a shared crypto asset transaction system, or user asset management system with its parent company. These changes may be a response to improve confidence in crypto in Japan following the damage done to Japanese crypto investors from by the bankruptcy of FTX Japan K.K’s parent company FTX Trading Limited. For more information, please click [here](#) (Japanese only).

On 15 September 2023, the FSA published an article titled “Draft Cabinet Office Ordinance Partially Amending the Cabinet Office Ordinance on Designation, etc. of Specified Social Infrastructure Operators Based on the Law on the Promotion of Security Assurance through Integrated Economic Measures”. The purpose of this amendment is to establish procedures related to the constituent facilities and their maintenance and management in the financial sector. It also includes notification requirements for introducing specified important facilities or entrusting other operators with the maintenance and management of such facilities. For more information, please click [here](#) (Japanese only).



On 2 October 2023, the FSA shared an article published by the Sub-Working Group on Financed Emissions to Promote Transition Finance titled “Addressing the Challenges of Financed Emissions”. The Sub-Working group was established in February 2023, and is made up of members from The Ministry of Economy, Trade and Industry (METI), the Ministry of the Environment (MOE) and the FSA to examine and solve Transition Finance, and decarbonization issues such as how to transition hard-to-abate industries. The article outlines what is expected of financial institutions to achieve decarbonization, as well as proposing methods and approaches financial institutions can use to calculate and disclose their contributions to decarbonization. The calculation methods proposed aim to give firms the tools and data to help develop mid-long term decarbonization plans. For more information, please click [here](#).



On 4 October 2023, the FSA published an article titled “Draft Partial Amendment to the Notification on Capital Adequacy Regulation”. The drafted amendments aim to address the proposals made by the Basel Committee on Banking Supervision, aiming to align more closely with international standards. The changes are based upon Basel III agreed upon in December 2017, as well as the Market Risk Minimum Capital Requirements agreed in January 2019. For more information, please click [here](#) (Japanese only).

Enforcement

On 15 September 2023, the FSA issued a fee payment order to an employee of CellSource Incorporated for insider trading based on a recommendation by the Securities and Exchange Surveillance Commission (SESC). Disclosures concerning material facts and profit projections that would materially affect investment decisions were not made by the company, leading to a relative of an employee purchasing 300 shares due to knowledge of inside information. The individual admitted these facts and has been ordered to pay 440,000 yen to the national treasury. For more information, please click [here](#) (Japanese only).

On 29 September 2023, the FSA issued a fee payment order to DDS Incorporated for problematic accounting procedures leading to them overstating accounts receivable, and publishing false statements in an attempt to conceal this. The fee payment order was made based on a recommendation by the Securities and Exchange Surveillance Commission (SESC). The company admitted these facts and has been ordered to pay 1,500,000 yen to the national treasury. For more information, please click [here](#) (Japanese only).

On 6 October 2023, the Kanto Local Finance Bureau (“KLFB”) issued a business cessation order to cease special business activities for qualified institutional investors, and business improvement order to honey b. The Company was previously served a business improvement order on June 14 2023 for failing to submit the annual business report before the deadline. honey b. was ordered to immediately submit the business report, however as of 6 October they have still not submitted the report leading to the cessation order. The Company must cease special business activities for qualified institutional investors, and must explain to investors the reasons for administrative sanctions, as well as formulate a policy to return fund assets while taking measures to protect investors. The Company must report to the KLFB in writing the status and implementation of these. For more information, please click [here](#) (Japanese only).

On 6 October 2023, the KLFB issued a business cessation order and business improvement order to Miki Securities Company, the business cessation order orders that the Company shall not trade or solicit foreign stocks from October 6 until November 6, 2023. The reason for the administrative action is due to a change made to the Company’s internal evaluation system for salespeople implemented in June 2019 which introduced a remuneration structure that heavily emphasised revenue generation and did not consider any compliance items in evaluation. This system incentivised salespeople to solicit and promote products that were inappropriate while disregarding client suitability, including not adequately confirming the health status of elderly customers or their understanding of products. The KLFB found that some employees who voiced compliance issues were demoted, further the CEO was found to have reduced the staffing of the compliance department despite previous understaffing concerns pointed out in a 2018 inspection. The business improvement order issued by the KLFB specifies that the Company must improve its compliance, management control, and internal control systems, as well as inform customers of the content and reason behind this administrative action. The Company must report in writing on the status and implementation of its business improvement by November 6, and thereafter within 15 days of the end of every quarter. For more information, please click [here](#) (Japanese only).





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