

SFC provides regulatory relief for SFC-licensed businesses affected by COVID-19



On 5 February 2020, the Securities and Futures Commission (the "**SFC**") released a circular acknowledging the disruptions caused by COVID-19 to licensed corporations ("**LC**"), which we have discussed in our [previous article](#). Since then, the SFC has issued various new guidance, including:

- [FAQ: Licensing related matters in light of the COVID-19 pandemic](#)
- [Circular to intermediaries - Extended deadlines for implementation of regulatory expectations and reminder of order recording requirements under COVID-19 pandemic](#)
- [Circular to management companies and trustees and custodians of SFC-authorized funds](#)
- [Circular to Intermediaries - Reminder of important obligations to ensure suitability and timely dissemination of information to clients](#)

In general, the SFC expects LCs to mitigate the impact of COVID-19 on their businesses. The SFC recognizes that, in the meantime, it may not be possible for LCs and licensed individuals ("**LI**") to comply with all its regulatory obligations, and is therefore offering some relief. For example:

- LIs who are unable to fulfil their annual continuous professional training ("**CPT**") hours by year end may carry forward any unfulfilled CPT hours until the end of 2021. Nonetheless, LIs are encouraged to attend online self-study courses.
- LCs are expected to maintain a back-up office and have remote access to trading facilities in case the main office is shut down. However, where even those back-up facilities fail and orders have to be routed to an overseas affiliate for execution, the SFC is prepared to (subject to its approval and the approval of the relevant overseas authorities) allow the LC's unlicensed overseas affiliates to carry out such tasks for the LCs.
- LCs may arrange for their staff to work from home, on a temporary basis, even if such premises are not approved under s. 130 of the Securities and Futures Ordinance. Nonetheless, where said staff receives client orders, the SFC still expects him/her to properly record the said orders by, for example, calling back the LC's central telephone system.
- LCs and associated entities who encounter difficulties in making the required submission of their audited accounts within 4 months after the end of the financial year should immediately apply for an extension of the submission period. The SFC has announced that it will consider these applications pragmatically.
- LCs should, pursuant to the Securities and Futures (Licensing and Registration) (Information) Rules and in view of the disruptions caused by COVID-19, immediately report any significant changes in its business plan, internal controls, organisational structure, contingency plans and related matters, which would include: staff infections which have an impact on its business; closing of premises; changes to organisational resources; and the triggering of its business continuity plans.

In other areas, managers, trustees and custodians of SFC-authorized funds should take extra care in monitoring their funds by, for example, adjusting the fund's fair value, carefully considering rapidly changing market conditions, and alerting the SFC of any material issues affecting their funds. The SFC has announced that it will step-up its monitoring of SFC-authorized funds. Similarly, in the course of soliciting or recommending any securities, LCs should take extra care in assessing suitability. Where LCs hold investment products for their clients, LCs are reminded to promptly disseminate to their clients notices and other communications prepared or issued by the investment products' issuers.

We expect that regulators will continue to issue guidance and, to the extent possible, grant additional relief to assist market participants in this unprecedented time.

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