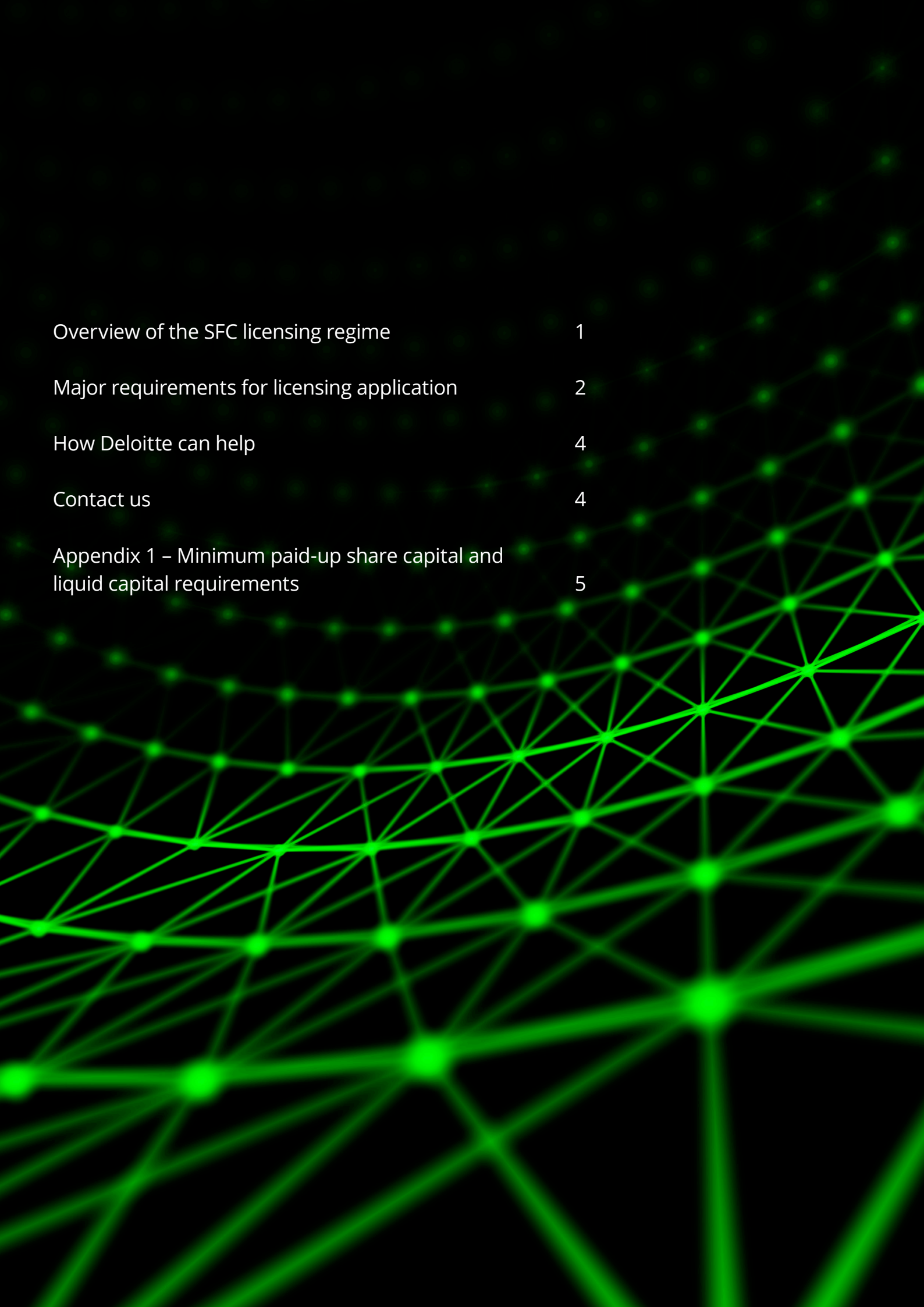


**Application of SFC License
in Hong Kong**

March 2020



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Overview of the SFC licensing regime

This publication provides an overview of the key features of licensing requirements and ongoing regulatory obligations for any companies and individuals carrying on regulated activities ("RA") in Hong Kong.

The Securities and Futures Commission ("SFC") is the regulator empowered by the Securities and Futures Ordinance ("SFO") to oversee the regulated activities in the securities and futures markets in Hong Kong. Under the Hong Kong's regulatory regime, companies and individuals that intended to carry

on the following 10 types of regulated activities in Hong Kong are required to apply for the appropriate type of SFC license unless a specific exemption is applicable. Depending on the nature of the business, one or more SFC license(s) should be applied to conduct the proposed regulated activities.



Table 1. Type of regulated activities

Type of Regulated Activities	
Type 1	Dealing in securities
Type 2	Dealing in futures contracts
Type 3	Leveraged foreign exchange trading
Type 4	Advising on securities
Type 5	Advising on futures contracts
Type 6	Advising on corporate finance
Type 7	Providing automated trading services
Type 8	Securities margin financing
Type 9	Asset management
Type 10	Providing credit rating services

Major requirements for licensing application

The following table summarises the key licensing requirements for the common types of licenses that Deloitte provides support. In general, the SFC type 1 (i.e. dealing in securities) license applicant would apply the SFC type 4 (i.e. advising on securities) license together for the business purpose. The similar reason applies to SFC type 2 (i.e. dealing in futures contracts) and SFC type 5 (i.e. advising on futures contracts) as well.



Table 2. Summary of key regulatory requirements

	Type 1	Type 2	Type 3	Type 4	Type 5	Type 6	Type 9
Legal structure	<ul style="list-style-type: none"> Hong Kong incorporated company; or An overseas company registered with the Hong Kong Companies Registry 						
Responsible Officer ("RO")	<ul style="list-style-type: none"> Appoint not less than two ROs to directly supervise the conduct of each RA being applied for; For each RA, at least one RO is available at all times to supervise the business; At least one of the ROs must be an executive director; and Subject to fit and proper requirements 						
Licensed representative ("LR")	<ul style="list-style-type: none"> All personnel carrying on regulated activities need to be licensed as a LR; and Subject to fit and proper requirements 						
Senior management	Holds the primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures includes: <ul style="list-style-type: none"> Directors RO Manager-In-Charge ("MIC") of core functions 						
MIC	<ul style="list-style-type: none"> Designate one MIC for each of the eight core functions; MICs of overall management oversight function and the key business line function must be ROs; The remaining MICs are appointed individual(s) who are responsible for operational control and review, risk management, finance and accounting, information technology, compliance, AML/CTF; and A MIC can be in charge of more than one core function or appoint two or more individuals as MICs to jointly manage one core function 						
Fitness and properness	Demonstrate to the SFC that it is fit and proper in the following criteria: <ul style="list-style-type: none"> Financial status or solvency; Relevant educational or other qualifications or experience; Competent, honest and fair; and Reputation, character, reliability and financial integrity. 						
Financial resources	<ul style="list-style-type: none"> Maintain paid-up share capital and liquid capital at all times not less than the specified amounts according to the Securities and Futures (Financial Resources) Rules Please refer to Appendix 1 for the minimum paid-up capital and liquid capital for each type of RA. 						

	Type 1	Type 2	Type 3	Type 4	Type 5	Type 6	Type 9
Exemption	Incidental exemption						
	<p>May not be required to be licensed for certain regulated activities if such activities are performed wholly incidental to your carrying out of another regulated activity for which you are already licensed:</p> <ul style="list-style-type: none"> Licensed for Type 1 RA and wish to carry out Type 4, 6, and/ or 9 RA. Do not need to be licensed for Type 4, 6 and 9 provided that these activities are carried out wholly incidental to your Type 1 business. Licensed for Type 2 RA and wish to carry out Type 5 and/ or 9 RA. Do not need to be licensed for Type 5 and 9 provided that these activities are carried out wholly incidental to your Type 2 business. Licensed for Type 9 RA and wish to carry out Type 1, 2, 4 and/ or 5 RA. Do not need to be licensed for Type 1, 2, 4 and/ or 5 provided that these activities are carried out wholly incidental to your Type 9 business. 						
Exemption	Group company exemption						
	N/A	N/A	N/A	The company may be exempted from requiring a Type 4, 5, 6 or 9 license when providing the relevant advice or service solely to its wholly owned subsidiaries, its holding company, which holds all its issued shares, or other wholly owned subsidiaries of that holding company, given that the company provides the relevant services to its group company in respect of their own assets.			
Staffing resources	<ul style="list-style-type: none"> Appoint one compliance officer and/or operations manager with finance, accounting, compliance or risk management background; and A RO should not take up the compliance function of the company as the SFC expects for segregation of duties 						
Continuous professional training	<ul style="list-style-type: none"> A licensed corporation should at least annually evaluate the training needs of the individuals they engage; and Licensed individuals must undertake a minimum of 5 continuous professional training hours per calendar year for each RA they engaged in 						
Submission of audited accounts	Submit audited accounts and other required documents within 4 months after each financial year end						
Submission of financial resources returns	Monthly filing with a filing deadline of 21 calendar days of the monthly period end			Semi-annually filing with a filing deadline of 21 calendar days of the semi-annual period end, subject to the licensing condition of not holding clients' assets			
Anti-money laundering ("AML") and counter-financing of terrorism ("CFT") framework	<ul style="list-style-type: none"> Design and implement anti-money laundering and counter-financing of terrorism policies, procedures and controls to meet the relevant legal and regulatory requirements Please refer to "Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations)" for details 						
Internal control and risk management framework	<ul style="list-style-type: none"> Implement adequate and effective internal control procedures to protect their operation and clients from financial loss caused by theft, fraud and other misconduct Please refer to "Management, Supervision and Internal Control Guidelines For Persons Licensed by or Registered with the Securities and Futures Commission" for details 						

How Deloitte can help

Deloitte offers integrated and customised solutions to address your needs. Our team of dedicated regulatory compliance specialists have significant commercial knowledge and experience, coupled with a deep understanding of industry practices. With our global network of professional resources across different advisory practices, we are able to draw on our subject matter experts to address your various needs across different business operations. For more information on how Deloitte can help address your regulatory needs, please contact the personnel listed below.

 <h3>Feasibility study</h3> <ul style="list-style-type: none">• Assess if the firm's current business and operational structure or planned business activities constitute regulated activity under SFO;• Advise the appropriate SFC licenses to be obtained and ongoing regulatory obligations and• Assist in the compliance with fit and proper criteria and competency requirements set by SFC	 <h3>Preparation and submission of application</h3> <ul style="list-style-type: none">• Assist the management in preparing application forms and relevant documents	 <h3>After submission of license application</h3> <ul style="list-style-type: none">• Provide support on enquiries raised by the SFC after submitting the application to SFC	 <h3>Continuous support after license granted</h3> <ul style="list-style-type: none">• Assist the management in complying with regulatory obligations/ reporting on an ongoing basis
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Appendix 1 – Minimum paid-up share capital and liquid capital requirements

Regulated activity	Minimum paid-up share capital	Minimum liquid capital
Type 1 –		
(a) in the case where the corporation is an approved introducing agent or a trader	Not applicable	\$500,000
(b) in the case where the corporation provides securities margin financing	\$10,000,000	\$3,000,000
(c) in any other case	\$5,000,000	\$3,000,000
Type 2 –		
(a) in the case where the corporation is an approved introducing agent, a trader or a futures non-clearing dealer	Not applicable	\$500,000
(b) in any other case	\$5,000,000	\$3,000,000
Type 3 –		
(a) in the case where the corporation is an approved introducing agent	\$5,000,000	\$3,000,000
(b) in any other case	\$30,000,000	\$15,000,000
Type 4 –		
(a) in the case where in relation to Type 4 regulated activity, the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	\$100,000
(b) in any other case	\$5,000,000	\$3,000,000
Type 5 –		
(a) in the case where in relation to Type 5 regulated activity, the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	\$100,000
(b) in any other case	\$5,000,000	\$3,000,000
Type 6 –		
(a) in the case where the corporation acts as a sponsor:		
- hold client assets	\$10,000,000	\$3,000,000
- not hold client assets	\$10,000,000	\$100,000
(b) in the case where the corporation does not act as a sponsor:		
- hold client assets	\$5,000,000	\$3,000,000
- not hold client assets	Not applicable	\$100,000
Type 9 –		
(a) in the case where in relation to Type 9 regulated activity, the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	\$100,000
(b) in any other case	\$5,000,000	\$3,000,000

Source: The SFC Licensing Handbook – February 2019



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