New Measures Enhancing Licensing Process

Licensing, Intermediaries

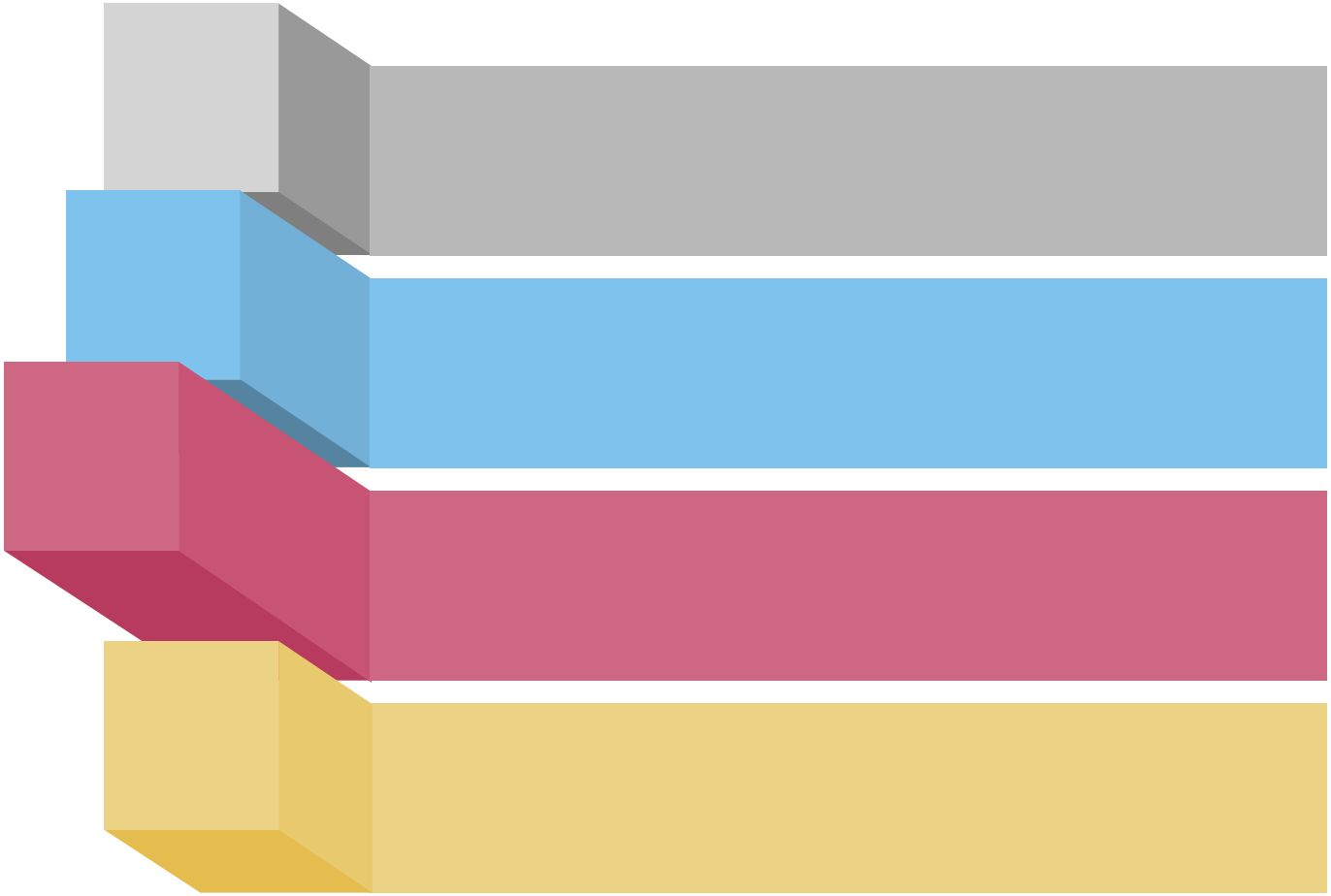
Agenda

Enhanced Licensing Process

Highlights of New Licensing Foo4(sfLangrbC&ao044 360 ()>BDC 3602(dk

Enhanced Licensing Process

Highlights of licensing activities in past five years



Complex and fast changing environment

Some applicants are getting bigger more overseas enterprises with complex group structures

Some applicants are getting smaller individual controllers who has no prior financial service experience

Inter-connectedness of fit and proper status of corporate applicants and their controlling shareholders

Increased complexity of market innovation and applicants business models and operational modes

Higher expectations from our stakeholders on consistency, transparency and efficiency of our gate-keeping function

Overview of measures to enhance our process

Revamp licensing forms to front-load the collection of relevant and risk-specific information

Provide more guidance on our requirements and expectations to the industry in the new version of the Licensing Handbook

Extend mandatory online submission of notifications and annual returns to LCs and RIs

Issue electronic approval letters to individual licence applicants and their employers

Require licensees to confirm whether they have complied with CPT requirements in last calendar year

New licensing forms

- User-centric designed with standardised structure, clear instructions and navigation guides
- Collect specific information relevant to fitness and properness assessment with focus on major risk elements
- Develop business profile and internal controls self-assessment questionnaires enabling identification of regulatory issues at earlier stage
- Design dedicated forms for each specific type of users

Transition arrangement

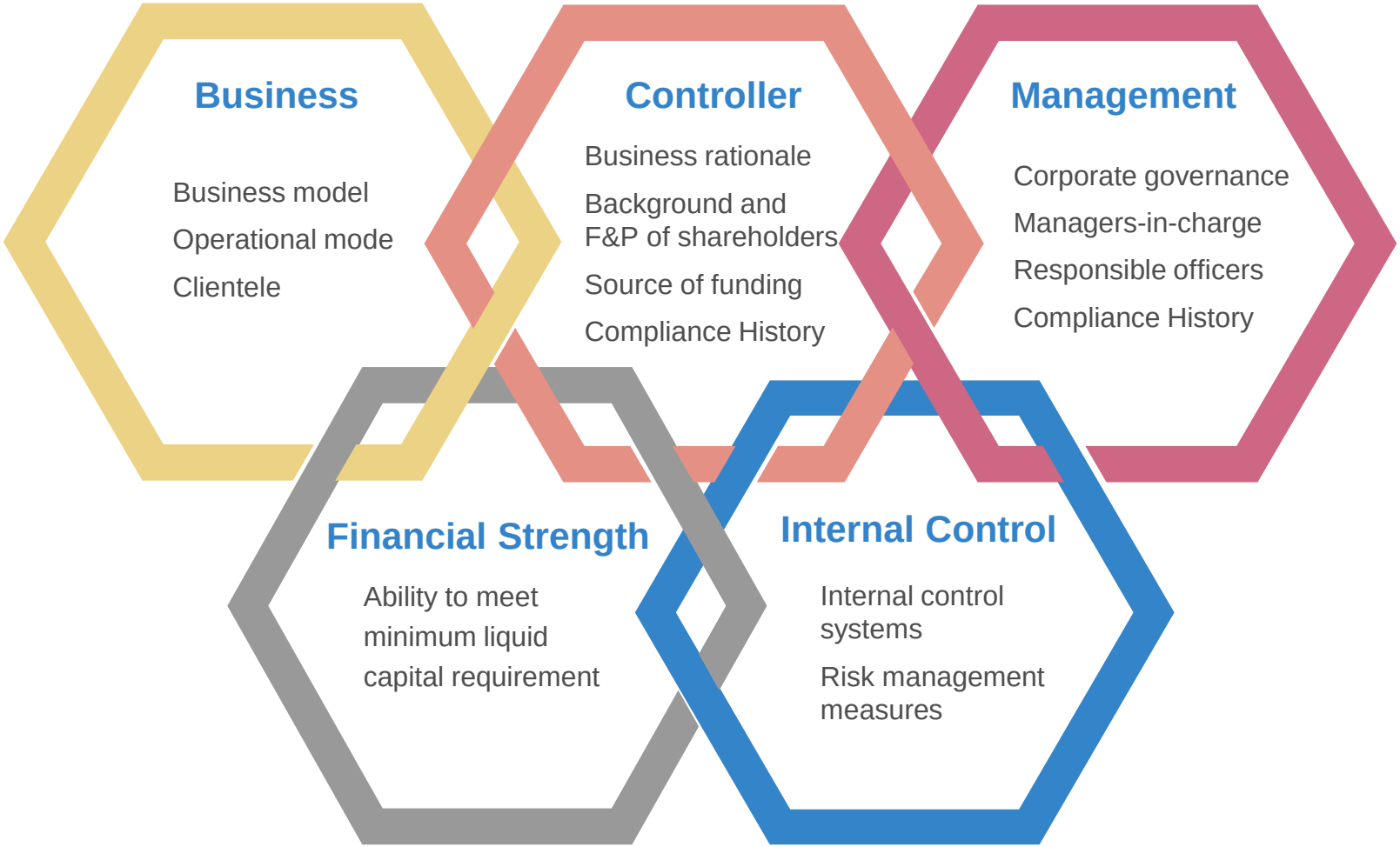
No longer accept old licensing forms

E-submission for

11 Feb 2019

Highlights of New Licensing Forms & Handbook

Key risk elements of corporate applicants



Streamlining information required for certain substantial shareholder applicants

Apply - substantial shareholder (SSH) applications

SSH applicants without a close link to the LC are allowed to provide less information to the SFC

Basic information on identity in the relevant supplements are still required

Streamlining information required for certain substantial shareholder applicants (2)

SSH applicants will not be considered to have a close link to the licensed corporation / licensed corporation applicant (LC) if they:

- alone, do not have a direct or indirect interest in the LC as described in section 6 of Part 1 of Schedule 1 to the SFO;
- together with any of the associates, have a direct or indirect interest in the LC as described in section 6 of Part 1 of Schedule 1 to the SFO;
- are

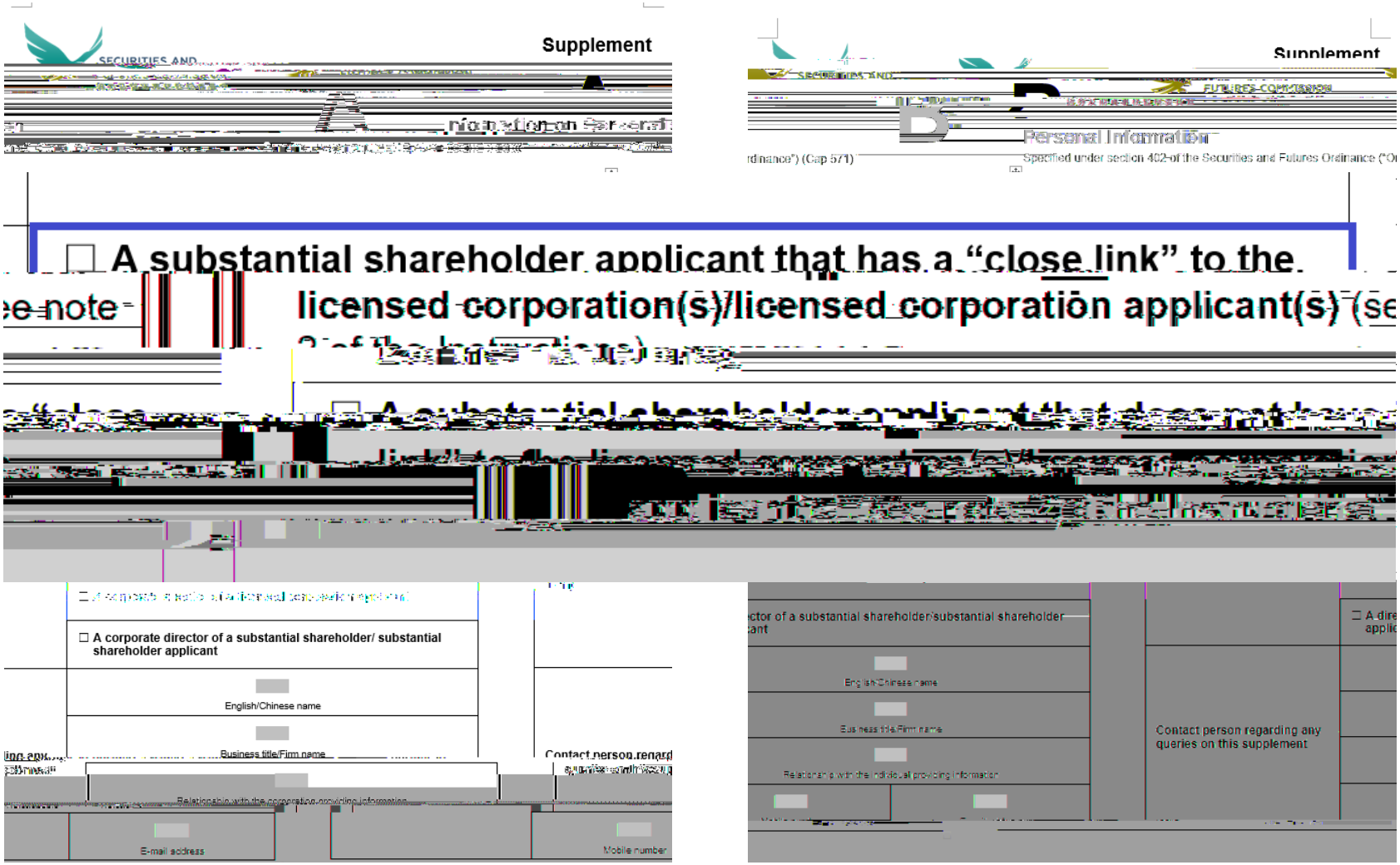
Streamlining information required for certain substantial shareholder applicants (3)

Illustrative example

Assessment	D Limited	
Alone, will not be regarded as SSH		

Streamlining information required for certain substantial shareholder applicants (4)

In the new Supplement (i.e. Supplement A and Supplement B), SSH applicants are required to clearly indicate whether they have a close link to the LC

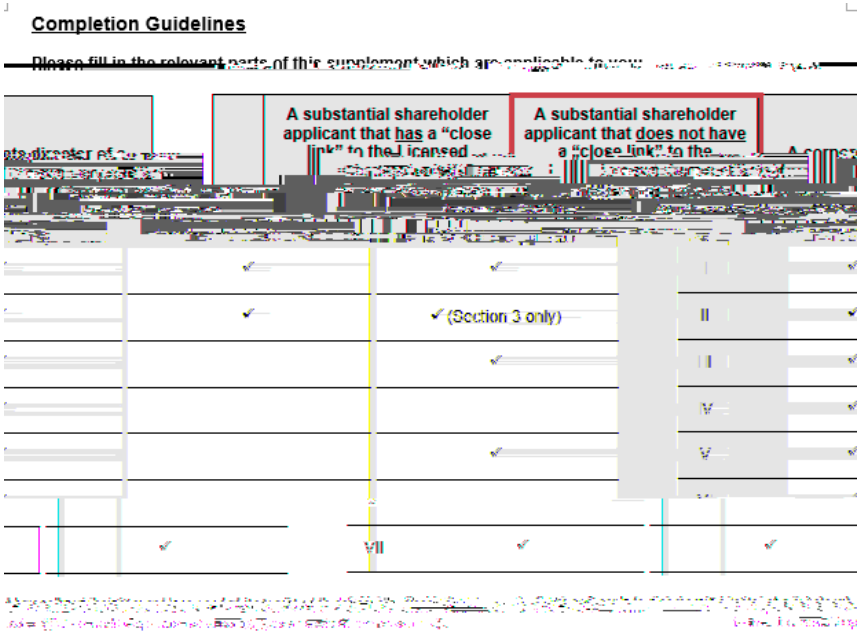


Streamlining information required for certain substantial shareholder applicants (5)

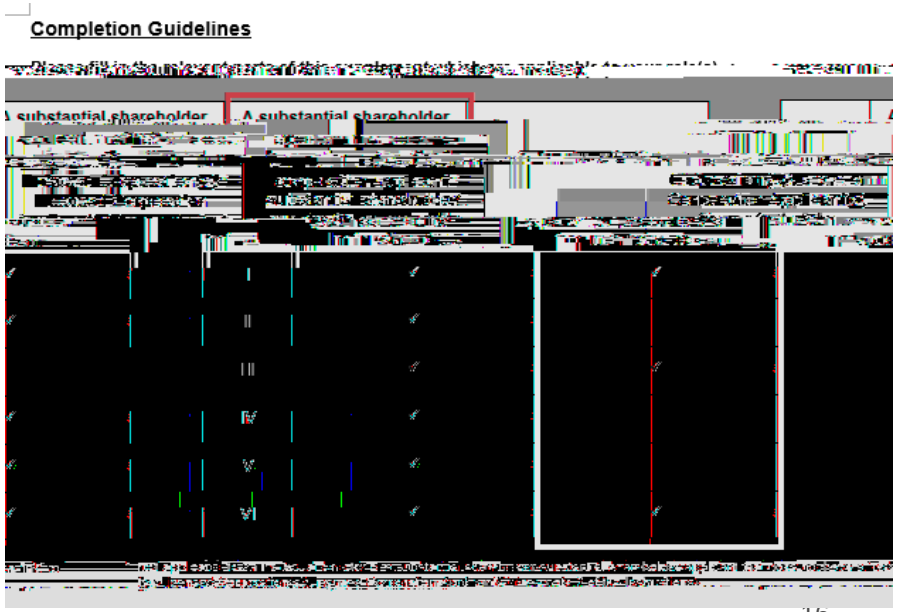
SSH applicant without any close link to the LC is not required to complete the following information in Supplement A and B:

- licence record;
- disclosure; and
- director information of corporate SSH applicant

Supplement A



Supplement B



Adding clarity on disclosure questions

Refine disclosure questions requiring applicants to disclose investigations, disciplinary actions and civil litigation against them

Place a particular emphasis on matters which are more recent or significant

- Setting a coverage period of **past five years** for disclosure of investigations and actions taken by regulatory or professional bodies
- Refining the coverage period for disclosure of civil litigations from past ten years to **past five years**
- Confining the **nature of the disclosure of civil litigations** to those

  relating to fraud, dishonesty, misfeasance or provision of financial services, etc.;

  in which the person being a defendant or respondent only
- **Refining the threshold for disclosure of civil litigations in relation to provision of financial services** by a corporate as a percentage of its shareholders' fund or where cases that are disclosed in audited financial statements

Self-assessment questionnaires

Objective:

Obtain information about corporate applicants' business profiles and confirmation of internal controls policies and procedures they have in place

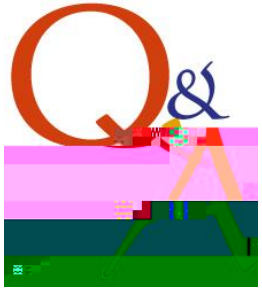
Serve as self-assessment tool for corporate applicants to match their business profiles with regulated activities types and evaluate the soundness of their risk management and controls

Types of questionnaires

Questionnaire A - General

Major updates to Licensing Handbook

Further guidance on

- Fintech, including SFC Regulatory Sandbox, virtual asset managers and platforms, ICO and Bitcoin Futures
- Licensing requirement of private equity and venture capital firms
- Exercise of discretionary investment authority required for Type 9 regulated activity
- Exchange participants are expected to have at least two ROs locally available at all times to directly supervise its brokerage business
- Requirement on relevant industry experience for responsible officers; relating to asset management experience, technology-related experience, and dormant firms
- Dual accreditations of ROs (in non-group LCs)
- ROs in name only and not having any actual duties

Alignments with new licensing forms