Reed Smith Asia-Pacific funds & financial regulatory newsletter

Second quarter 2025 edition

ReedSmith

Contents

Welcome

Second quarter 2025 edition

Welcome to the fifth edition of Reed Smith's quarterly Asia Pacific funds & financial regulatory newsletter. In this edition, we highlight key developments in the financial regulatory landscape, including regulatory changes and enforcement actions affecting financial entities, investment advisors and funds across the region.

Developments and updates in Singapore are particularly noteworthy. We delve into MAS' circular on supervisory expectations and good practices for variable capital companies and other relevant Singapore fund structures, as well as the revisions to the city-state's AML/CFT framework.

In the "Other notable updates" section, we also consider the evolving tariff situation in both Mainland China and the United States.

In focus

MAS issues circular on supervisory expectations and good practices for variable capital companies

Introduction

On 26 June 2025, the Monetary Authority of Singapore (MAS) issued Circular No. IID 04/2025 (the Circular) on the governance and management of variable capital companies (VCCs). The Circular follows MAS' thematic review conducted in 2024 and outlines key observations, supervisory expectations and good practices for VCC managers. MAS has clarified that, while the Circular is based on its observations of VCCs, the supervisory expectations are also relevant to other types of fund structures where applicable.

Overview of the VCC framework

Since the launch of the VCC framework in January 2020, the VCC structure has seen continued uptake, with around 1,200 VCCs in Singapore as of 31 March 2025. VCCs are flexible corporate structures that may be used for both open-ended and closed-end investment funds and can invest in a wide range of assets. Most are only offered to accredited and institutional investors.

Under the VCC framework, VCCs and VCC managers are subject to regulatory requirements, including:

- VCCs to be used as collective investment schemes (CIS)
- Appointment of a MAS-regulated manager
- Appointment of at least one director who is a director or representative of the VCC manager
- Appointment of an eligible financial institution (EFI) to support compliance with anti-money laundering and countering the financing of terrorism (AML/CFT) obligations under MAS Notice VCC-N01

In addition, VCC managers are required to ensure that the assets of the VCC are properly segregated and maintained with an independent custodian. Managers must also ensure that any individual conducting fund management activities for the VCC is appointed as a representative of the manager.

Key observations and supervisory expectations

MAS' review found general compliance with the regulatory framework but identified certain areas where there may be shortcomings:

- Custody arrangements: A small number of VCCs did not report having custody arrangements for investments in certain types of assets, such as listed equities and fixed income instruments, contrary to regulatory requirements. VCC managers must ensure that such arrangements are in place unless the assets are private equity or venture capital investments offered only to accredited/institutional investors.
- Appointment of VCC manager and director: Directors who are appointed by VCCs must be appointed as licensed representatives of the VCC manager if they engage in regulated activities. Examples of activities that may be regulated and attract licensing obligations include deal sourcing, investment research, portfolio management and trade execution in connection with the VCC's investments, as well as client-facing activities such as account servicing, business development or marketing.
- Substantive fund management activity: MAS raised concerns over cases where VCCs held no assets or investors despite having been incorporated for more than a year, or where they only held the existing assets of a single investor or a few connected investors without providing any investment input. VCC managers are expected to periodically assess and wind down VCCs that hold no assets or have no investors. MAS considers that managers who merely help transfer investors' existing investments or assets into a VCC without providing investment input are not carrying out substantive fund management activity. In addition, MAS reminded VCC managers that VCCs are to be used as CIS and that managers are expected to play a substantive role in the management of the VCCs.
- AML/CFT compliance: VCCs and their EFIs are expected to maintain adequate controls and processes to comply with their AML/CFT obligations, including those outlined in MAS Notice VCC-N01 and the Variable Capital Companies (Sanctions and Freezing of Assets of Persons) Regulations 2020. Examples of controls and processes include customer due diligence, record-keeping, screening and the timely disclosure of beneficial ownership information to law enforcement agencies upon request. VCC directors and EFIs should receive appropriate and regular training on managing money-laundering and terrorism-financing risks.

Regulatory follow-up

MAS is conducting further supervisory engagement with certain VCC managers to assess compliance and determine whether regulatory action is warranted. MAS emphasised that managers retain overall responsibility for the fund management duties of the VCCs under their management and must ensure that these duties are effectively discharged. In particular, VCC managers are expected to:

- Review existing custody and compliance arrangements for their VCCs
- Ensure individuals conducting regulated activities on behalf of the VCCs are properly appointed as representatives of the VCC manager
- Wind down VCCs that have been assessed as unviable and dormant for an extended period of time
- Ensure that EFIs perform their AML/CFT obligations

Applicability to other fund vehicles

While the Circular specifically addresses VCCs, the principles and regulatory expectations articulated by MAS are equally relevant to other Singapore fund structures, including Singapore limited partnerships (LPs).

Fund managers of LPs should similarly review their custody, compliance and AML/CFT arrangements to ensure they meet MAS' standards. This also includes ensuring that individuals conducting regulated activities are properly appointed and that dormant or unviable funds are wound down in a timely manner.

As MAS continues to enhance its supervisory approach across the fund management sector, managers of all fund vehicles should proactively assess their governance and operational frameworks to ensure compliance with evolving regulatory requirements.

Conclusion

The issuance of the Circular underscores MAS' continued supervisory focus on ensuring the proper use and oversight of VCCs. VCC managers should stay abreast of MAS' expectations and proactively assess their governance, compliance and operational frameworks to ensure alignment.

Regulatory updates

Singapore

Amendments to anti-money laundering and countering the financing of terrorism notices for capital market intermediaries and variable capital companies

In June 2025, MAS revised the AML/CFT framework to include proliferation financing (PF) within the scope of money-laundering risk, in line with the Financial Services and Markets Act 2022 and the Financial Services and Markets Regulations.

Enterprise-wide risk assessments, customer due diligence (CDD), correspondent account requirements and screening protocols must now address PF risk. Governance requirements have also been strengthened: boards and senior management must take responsibility for escalation, resourcing and risk appetite, while internal audit is required to conduct independent, periodic reviews. Suspicious transaction reports (STRs) must be filed within five business days of suspicion, or within one business day for sanctions-related cases.

The amendments introduce minimum data collection requirements for legal persons and arrangements, expand the definition of beneficial owner to include trust-relevant parties, and target higher-risk shell company typologies. Enhanced CDD is required for customers that lack clear operations or a discernible business purpose, and source-of-wealth and source-of-funds corroboration must be risk-based and documented. Simplified CDD is not allowed for customers or beneficial owners from Financial Action Task Force (FATF) call-for-action jurisdictions.

Screening must incorporate fuzzy matching and additional search engines where appropriate. Ongoing monitoring must cover related accounts across business units. Record-keeping, information sharing and training requirements have been updated to reflect shorter STR timelines, confidentiality, considerations and considerations related to new technology.

MAS Enforcement Report 2023/2024

In April 2025, MAS published its Enforcement Report for the period from July 2023 to December 2024. The report outlines MAS' enforcement principles, achievements, key areas of focus, major ongoing cases, international cooperation efforts and future areas of focus. Over the reporting period, MAS took a range of enforcement actions, including securing 33 criminal convictions, imposing S$7.16 million in civil penalties and issuing 22 prohibition orders.

The report highlights several high-profile enforcement actions, including the conviction of individuals involved in "pump and dump" schemes promoted on social media and cases of fraudulent trading by fund managers, resulting in substantial prison terms and financial penalties. MAS also imposed multi-million dollar penalties on fund management companies for AML/CFT breaches and issued prohibition orders against unfit representatives, some lasting over a decade. The report underscores MAS' proactive use of surveillance and data analytics to detect unlicensed entities and market abuse, as well as its strengthened investigative powers and close cooperation with international regulators to tackle cross-border misconduct. These findings reflect MAS' commitment to robust enforcement and maintaining the integrity of Singapore's financial sector.

In addition, the report highlights four key areas of focus: market abuse, financial services misconduct, breaches of anti-money laundering controls and the implementation of MAS' new investigative powers. Looking ahead, MAS has emphasised its continued focus on enforcing AML/CFT controls and strengthening enforcement capabilities within the digital asset ecosystem.

Consultation paper on proposed revisions to financial advertisement regulations: Removal of existing exclusions

In May 2025, MAS issued a consultation paper on proposed revisions to the Financial Advisers Regulations (FAR) and the Securities and Futures (Licensing and Conduct of Business) Regulations (SF(LCB)R). The revisions seek to remove existing exclusions from advertising requirements and ensure that advertisements present information accurately and fairly, and in a clear and legible manner. The proposals also aim to improve the consistency and clarity of advertising standards across both product and non-product advertisements.

MAS invited comments from financial institutions, consumers and other interested parties. The consultation paper closed for feedback on 5 June 2025.

Consultation paper on streamlining of prospectus requirements and broadening of investor outreach channels

In May 2025, MAS issued a consultation paper on proposals to streamline prospectus disclosure requirements and facilitate the profiling of offers, as part of the broader measures announced by the Equities Market Review Group in February 2025 to strengthen the competitiveness of Singapore's equities market. MAS has identified three main areas of focus: streamlining the prospectus disclosure requirements for primary listings; simplifying the process for secondary listings by proposing a new set of prospectus disclosure requirements for offers of shares by certain issuers; and providing issuers with more flexibility and scope to engage potential investors earlier in the initial public offering process.

MAS invited comments from financial institutions, issuers, professional firms and interested parties on the proposed changes. The consultation paper closed for feedback on 14 June 2025.

Guidelines on Fit and Proper Criteria [FSG-G01]

In May 2025, MAS revised its Guidelines on Fit and Proper Criteria [FSG-G01], which apply to all relevant persons carrying out any activity regulated by MAS. Key amendments include updates to the definitions of "authorisation", "institution" and "relevant person". These updates broaden the regulatory net to include digital token service providers. The definitions now explicitly cover digital token entities licensed under the Financial Services and Markets Act 2022 (FSMA), together with their key personnel, including directors, C-suite executives, heads of treasury, managers, employees, partners and significant controllers.

Hong Kong

Updates on Capital Investment Entrant Scheme

Launched on 1 March 2024, with new enhancement measures implemented from 1 March 2025, the new Capital Investment Entrant Scheme (CIES) has attracted strong interest from top talent and high-net-worth individuals. As of the end of April 2025, InvestHK had received over 1,200 applications under the CIES, which is expected to bring over HK$37 billion in investment into Hong Kong. The latest measures, which were introduced after taking into account the views of industry stakeholders, further strengthen Hong Kong's status as an international asset and wealth management centre.

Starting from 1 March 2025, (1) the fulfilment period for the net asset requirement (NAR) is shortened from two years to six months; (2) assets jointly owned with family members, to which the applicant is absolutely beneficially entitled, will be taken into consideration for the purposes of calculating NAR; and (3) investments made through an eligible private company are now counted as eligible investments, provided, among other requirements, that the company is incorporated or registered in Hong Kong, is wholly owned by the applicant, only holds permissible investment assets and is managed by an eligible single-family office as defined in Section 2 of Schedule 16E to the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong).

Following the implementation of these new enhancement measures, there was a notable surge in the number of applications in March 2025, with monthly application figures rising by over 440% compared with February 2025. As of 30 April 2025, the types of investment among CIES applications verified as having fulfilled the investment requirements mainly include funds authorised by the Securities and Futures Commission (SFC) (36.4%), equities (28.1%) and debt securities (13.1%).

Not only is the CIES creating new business opportunities and revitalising fund activity across the market, but the strong pipeline of applications also reinforces Hong Kong's standing as a pre-eminent international investment hub and reflects growing market confidence in the CIES. Going forward, the director-general of investment promotion at InvestHK has reiterated a clear commitment to working closely with the professional sector and all stakeholders to promote the CIES, as well as ensuring that Hong Kong remains an attractive destination for capital and talent worldwide. The Legislative Council is expected to discuss further implementation measures for the CIES in July 2025, and all stakeholders should monitor this space closely for legislative updates.

Mainland China

CSRC allows qualified foreign investors to participate in ETF options trading

The China Securities Regulatory Commission (CSRC) has released the Announcement on the Participation of Qualified Foreign Institutional Investors (QFIIs) and RMB Qualified Foreign Institutional Investors (RQFIIs) in Stock Options Trading (the Announcement), with effect from 9 October 2025.

According to the Announcement, QFIIs may participate in the trading of on-exchange exchange-traded fund (ETF) options listed on trading venues approved by the State Council or the CSRC. Participating QFIIs must comply with the trading rules of the CSRC and the relevant trading venues, with the trading purpose limited to hedging transactions.

SHFE invites public comments on draft business rules for internationalisation

The Shanghai Futures Exchange (SHFE) has released a series of draft business rules aimed at promoting its internationalisation, including drafts of the Administrative Measures for Overseas Special Participants, the Administrative Measures for Members, and the Administrative Measures for the Suitability of Futures Traders. The drafts were open for public feedback until 4 June 2025.

Key highlights of the drafts cover the following areas: (1) market access mechanism: outlining a comprehensive framework that sets out the eligibility criteria, rights, obligations and conditions for overseas participants to access China's futures markets; (2) trading mechanism: introducing systematic business rules enabling the full-process participation of overseas entities in domestic futures trading; (3) risk control mechanism: refining and improving risk management standards tailored to overseas participants engaged in domestic futures trading; (4) clearing mechanism: improving the framework covering RMB-denominated pricing, using foreign exchange as margin, introducing tiered and entrusted clearing systems, and strengthening management of clearing accounts and fund flows; and (5) delivery mechanism: clarifying provisions for handling non-deliverable positions and related procedures, and reinforcing closed-loop management of futures trading.

CSRC issues Administrative Measures for Programme Trading in the Futures Market

CSRC has issued the Administrative Measures for Programme Trading in the Futures Market (for Trial Implementation), with effect from 9 October 2025.

The measures mainly involve: (1) clarifying the definitions of programme trading and high-frequency trading, and specifying that programme trading must not affect the security of the futures exchange system or disrupt normal trading order; (2) clarifying the reporting requirements for programme trading; (3) strengthening the management of system access; (4) enhancing the management of hosting servers and trading seats; (5) clarifying trading monitoring and risk management requirements; (6) defining supervisory and management arrangements; and (7) outlining the applicable arrangements for relevant parties. Notably, the measures stipulate that traders must report relevant information before engaging in programme trading and may only proceed with programme trading upon receiving confirmation. Futures companies and futures exchanges must conduct periodic or random verification of reported information.

NFRA regulates administrative inspections conducted by the NFRA system

A circular issued by the National Financial Regulatory Administration (NFRA) highlights three key priorities:

- First, controlling the frequency of administrative inspections. The NFRA and its local offices will further tighten procedures for initiating and approving administrative inspections and enhance overall coordination. In principle, on-site inspections of the same organisation should not occur more than twice a year. However, inspections triggered by complaint letters and visits, whistleblower reports, complaints, referrals, data monitoring or other leads may be exempt from this frequency cap.
- Second, enhancing the precision of administrative inspections. Following a risk-based approach, the NFRA will tailor inspections by comprehensively considering factors such as supervisory ratings to objectively determine inspection targets and conduct categorised inspections accordingly.

- Third, managing the intensity of inspections. Upholding the principle of proportionality in enforcement, the NFRA will use a comprehensive enforcement toolkit, including regulatory talks, warnings, information notices, rectification within a specified period, and administrative penalties, to categorise and address identified issues. The NFRA also encourages the use of flexible enforcement methods to facilitate rectification through inspections.

CSRC issues action plan for promoting the high-quality development of publicly offered funds

The action plan focuses on urging fund companies, fund sales institutions and other industry participants to shift their focus from "size" to "returns". The proposed measures aim to:

- Optimise the fee structure for actively managed equity funds by implementing a floating management fee structure linked to fund performance.
- Strengthen the alignment of interests between fund firms and investors by establishing a comprehensive industry evaluation system centred on fund investment returns and incorporating metrics directly related to investor interests, such as benchmark comparisons and fund profitability, into the evaluation framework.
- Enhance the industry's ability to serve investors by guiding fund companies and fund sales institutions to optimise resource allocation in areas such as investment research, product design, risk management and market promotion, with a focus on the best interests of investors.
- Increase the scale and stability of public fund equity investments; optimise fund registration arrangements; launch more on- and off-exchange index funds and medium- to low-volatility equity-linked products; and promote the innovative development of equity funds.
- Integrate strong regulation, risk prevention and high-quality development; improve regulatory systems and strengthen enforcement measures; enhance the governance of fund companies; and urge major shareholders, boards of directors and management teams to fulfil their responsibilities.

Two authorities call for strict and impartial law enforcement and judicial services to support high-quality development of the capital market

Recently, the Supreme People's Court (SPC) and CSRC issued the Guiding Opinions on Ensuring the High-quality Development of the Capital Market Through Strict and Impartial Law Enforcement and Judicial Services.

The opinions provide a comprehensive overview of current practices in court trials and enforcement, as well as regulatory enforcement in the capital market. Measures are proposed with the overarching goal of advancing the reform and development of the capital market through strict and impartial law enforcement and judicial services, focusing on areas such as overall requirements and investor protection. Key highlights include: (1) focusing on investor protection and upholding the people-centred approach; (2) regulating the conduct of market participants to foster a sound market ecosystem; (3) strengthening coordination between judicial and administrative authorities to foster joint efforts in support of development; and (4) improving institutional safeguards to enhance adjudication and regulatory capacity. The opinions underscore the need to crack down on fraudulent securities issuance and the falsification of financial disclosures in accordance with the law, and to improve the civil liability system for false statements. They also call for the regular use of representative litigation in securities disputes to make it easier for investors to protect their lawful rights and interests and to reduce the cost of rights protection.

Draft guidelines for the management of investment behaviour of directors, supervisors, senior management personnel and securities industry personnel of securities companies released for public comment

The draft guidelines issued by the Securities Association of China establish basic requirements for investment behaviour, and clarify the scope of personnel and investment products subject to management. They require securities practitioners to uphold the core values of the securities industry, strengthen the self-management of investment behaviour, and report basic information about themselves, their spouses and related parties, as well as details of their investments in securities, funds and equity in unlisted companies.

The draft guidelines also set out provisions for exemptions from reporting requirements related to equity account management and investment information. Securities companies are required to clearly stipulate equity account management rules for employees in their internal systems. If employees need to open stock accounts, securities companies should encourage them to trade or place assets in custody through the company or its affiliated entities. Otherwise, employees must report their stock accounts and provide transaction records. Additionally, under certain conditions, employees may be exempted from reporting investment information related to stock accounts, thereby reducing their reporting burden while improving the efficiency and accuracy of securities firms in monitoring and verifying employees' investment activities.

In addition, the draft opinion emphasises the protection of personal information and data security.

The Securities Association of China aims to strengthen self-regulation of employees' investment behaviour and will impose strict penalties and accountability measures for violations. It will enhance regulatory collaboration and actively promote the development of measures to prevent and combat illegal activities such as irregular stock trading, insider trading, trading based on non-public information, and market manipulation, while maintaining order in the securities market.

Measures for the Administration of Qualifications for Directors (Council Members) and Senior Management Personnel of Banking Financial Institutions

The NFRA has issued the revised Measures for the Administration of Qualifications for Directors (Council Members) and Senior Management Personnel of Banking Financial Institutions, effective as of 1 June 2026. The main revisions include:

- Emphasising the primary responsibility of financial institutions by requiring them to improve their procedures and standards for the selection and appointment of senior management personnel, and clarifying that financial institutions and prospective appointees are responsible for the authenticity and completeness of applications for regulatory approval and related reporting materials.
- Adhering to the principle of proportionality between punishment and offence by adjusting the impact of regulatory penalties on the appointment of senior management personnel, further distinguishing between types of penalties, and clarifying their respective periods:
- Administrative penalties such as warnings, public censure, and fines will apply for a one-year period.
- For administrative penalties involving professional bans, an additional five-year period is established. If a regulated institution has imposed market entry restrictions and the five-year period has not yet expired, the individual is deemed to not meet the basic eligibility criteria for appointment.
- For administrative penalties involving the revocation of eligibility for appointment, the penalty period specified in the penalty decision will apply. If an individual's eligibility for appointment has been revoked for a specified period and the term has not yet expired, or if the eligibility has been revoked permanently, the individual is deemed to not meet the basic eligibility criteria for appointment.

Administrative Measures for Money Broking Companies

The NFRA has issued the revised Administrative Measures for Money Broking Companies, which will come into effect on 1 August 2025.

Compared with the previous version, the measures introduce the following key revisions: (1) optimising and adjusting items subject to administrative licensing; (2) appropriately expanding the scope of permitted business activities; (3) refining operational rules for business activities; (4) further strengthening risk oversight; and (5) enhancing the regulation of broking practices. The measures allow money broking companies to provide intermediation services for transactions between financial institutions in markets such as money, bonds, foreign exchange, gold and derivatives. They also permit the lawful and compliant use of market data collected during the broking process to offer data and information services to clients. In addition, the measures clarify the requirements for access to various types of broking businesses and define the scope of eligible broking service recipients. They also strengthen end-to-end business management by setting regulatory requirements for key processes such as due diligence, transaction confirmation, anonymous intermediation and traceable record-keeping. Moreover, the measures establish rules for service fee management to ensure that charges are commensurate with the services provided.

Enforcement actions

Singapore

MAS penalises five major payment institutions for AML/CFT lapses

MAS has imposed financial penalties totalling S$960,000 on five major licensed providers offering cross-border money transfer services. These measures were taken after a thorough review uncovered multiple lapses in each entity's ability to implement adequate controls under the applicable AML/CFT standards. The breaches spanned different periods between 2020 and 2023, highlighting systemic weaknesses in screening, verification and the maintenance of proper customer records in line with regulatory guidelines.

Examinations revealed repeated failures to verify customers' identities, securely track beneficiary or originator information on cross-border transfers, and properly inquire about beneficial ownership structures. In certain instances, the institutions neglected to screen clients against relevant risk databases or confirm the authority of individuals acting on behalf of corporate customers. Taken together, these oversights undermined confidence in the transparency of financial flows and exposed the institutions to potential misuse for illicit transactions.

Going forward, MAS has made it clear that the senior management of financial institutions must prioritise ongoing enhancements to their compliance frameworks. Each of the five entities has committed to remedial plans, which will be closely monitored. The prompt adoption and continued refinement of robust AML/CFT standards remains a top objective in safeguarding the financial system from undue risk.

Hong Kong

SFC bans a former responsible officer, manager-in-charge and managing director for six months

The Securities and Futures Commission (SFC) has prohibited a former responsible officer (RO), manager-in-charge and managing director of a licensed trading firm from re-entering the industry for six months, following the SFC's sanctions against the firm for breaches of AML/CFT and other regulatory requirements. The SFC found that the firm's failures were attributable to the individual's failure to discharge his duties as an RO and member of the firm's senior management.

SFC reprimands and fines a licensed brokerage firm HK$4.2 million for regulatory breaches

The SFC has reprimanded and fined a licensed brokerage firm HK$4.2 million for regulatory breaches relating to the handling of client assets. The firm was found to have relied on the expired standing authority of 7,911 clients to loan their securities, due to a programming error that resulted in failure to send renewal notices to those clients.

The SFC found that the failure constituted breaches of the Securities and Futures (Client Securities) Rules (CSR) and the Code of Conduct. In determining the disciplinary sanction, the SFC considered the firm's self-reporting, remedial actions and cooperation, as well as the lack of evidence of client losses.

SFC reprimands and fines a licensed brokerage firm HK$2 million and suspends its responsible officer for failures in relation to margin lending practices

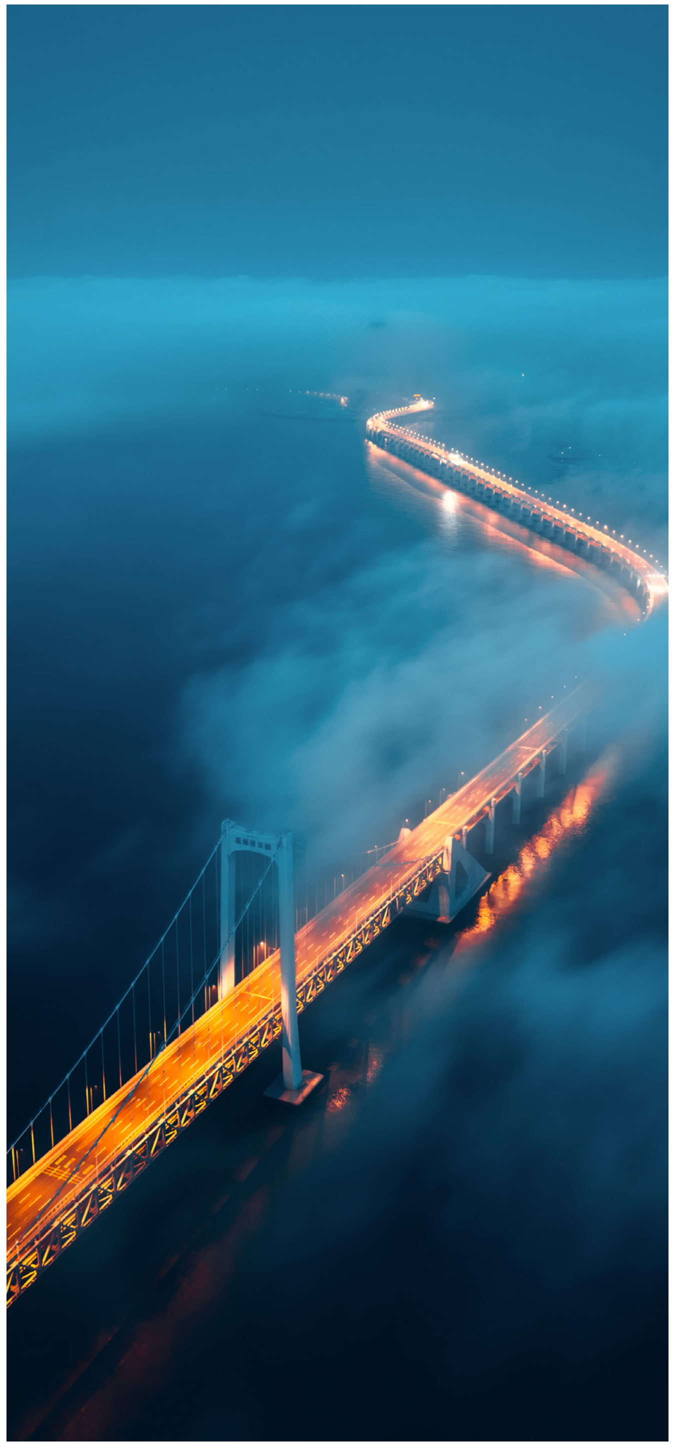
The SFC has reprimanded and fined a licensed brokerage firm HK$2 million for failures related to its margin lending policy and practices. The SFC found that the firm failed to adequately document its margin lending policy, strictly enforce requirements for objective financial proof when setting client credit limits, or provide justifications for deviations from the policy.

In addition, the SFC has suspended the licence of an RO and manager-in-charge of the firm for five months and two weeks. The SFC considers that the firm's failures were attributable to the individual's failure to discharge his duties as an RO and member of the firm's senior management.

Court convicts two individuals of false trading

Two individuals have been convicted of false trading in a prosecution brought by the SFC. The Eastern Magistrates' Court found that the two individuals conspired to purchase shares of a listed company to maintain the closing share price at or above a certain level. One of the individuals was also convicted of failing to disclose changes in his shareholding interest on eight occasions, in breach of disclosure requirements.

The SFC's executive director of enforcement, Mr Christopher Wilson, said that a stock's market price should reflect genuine supply and demand and that artificially setting a closing price prevents the market from re-establishing a genuine price and may create a false appearance of the stock's attractiveness to investors. He emphasised that the SFC maintains zero tolerance for any market malpractice that threatens market confidence and integrity.



SFC revokes a responsible officer's licence and bans him for two years

The SFC has revoked the licence of a former RO of a licensed firm and banned him from re-entering the industry for two years, following his criminal conviction for theft and failure to promptly notify the SFC of the charge, in breach of the Securities and Futures Ordinance and the Securities and Futures (Licensing and Registration) (Information) Rules. The SFC concluded that he was guilty of misconduct and not a fit and proper person to remain licensed to carry on regulated activities.

SFC bans a former responsible officer, manager-in-charge and director for five months

The SFC has banned a former RO, manager-in-charge and director of a licensed futures firm from re-entering the industry for five months, following the SFC's sanctions against the firm for breaches of AML/CFT and other regulatory requirements. The SFC found that the firm's failures were attributable to the individual's failure to discharge his duties as an RO and member of the firm's senior management.

SFC obtains disqualification orders of two to nine years against former directors and senior executive of a formerly listed company

The SFC has obtained disqualification orders ranging from two to nine years against a former financial manager, former executive directors and a former independent non-executive of a formerly listed company for breaches of their duties to the company.

The SFC's investigations revealed multiple instances of misconduct affecting the company. The court found that the former financial manager was involved in coordinating the payments of the questionable transactions and knew or ought to have known about the misconduct. In addition, the former executive directors neglected or failed to identify or rectify the misconduct or breach of duties by the company's former chairman and the others, and failed to raise concerns, ask questions or seek necessary information in relation to the significant and questionable transactions. The former independent non-executive director was also found to have failed to exercise independent judgement and proper oversight.

SFC obtains landmark court decision requiring former senior executives to pay HK$192 million in compensation to shareholders

The SFC obtained court orders requiring a shadow director and two former executive directors to pay HK$192 million in compensation to public shareholders of a formerly listed company, in the form of special dividends. The court also disqualified the directors for their misconduct.

The SFC's investigation found that the three directors orchestrated the acquisition of two subsidiaries overvalued by HK$229 million, made payments totalling HK$64 million in loan interest and fees arising from fictitious transactions to entities related to the shadow director, and inflated the company's revenue.

Ms Julia Leung, the chief executive officer of the SFC, emphasised the SFC's power to hold de facto controllers of listed companies accountable for their misconduct.

SFC bans a former responsible officer and executive director for six months

The SFC has prohibited a former RO and executive director of a licensed securities firm from re-entering the industry for six months for failing to properly manage credit risks and to identify and report the suspicious trading patterns of clients.

The SFC's investigation revealed that the firm granted three new clients trading limits ranging from HK$4 million to HK$5 million without proper due diligence. In addition, suspicious transactions occurred, but the firm failed to identify them as suspicious, follow up appropriately or ensure that they were reported in a timely manner. The SFC found that the firm's failures were attributable to the individual's failure to discharge her duties as an RO and member of the firm's senior management.

The SFC's executive director of enforcement, Mr Christopher Wilson, emphasised that senior management must exercise independent judgement and maintain effective controls to prevent firms under their control from being used to facilitate wrongdoing, including market misconduct and money laundering.

SFC issues restriction notice to a financial services firm and conducts search operation

The SFC has issued a restriction notice to a financial services firm due to concerns over its fitness and properness to remain licensed. The restriction notice prohibits the firm from carrying out regulated activities or dealing with any relevant property without prior written consent from the SFC. As part of an ongoing investigation, the SFC also conducted a search operation at premises occupied by one of the firm's ROs.

SFC suspends a licensed representative for seven months

The SFC has suspended a licensed representative of a brokerage firm for seven months after an investigation found that the individual failed to disclose a personal securities trading account at another brokerage firm and conducted 20 personal trades without prior approval from an RO of the brokerage firm. The licensed representative failed to report these trades and provide the relevant trade confirmations and statements of account to the brokerage firm. The SFC considered the conduct wilful and dishonest and raised questions about the individual's fitness and properness to remain licensed.

SFC bans a former licensed representative for three years

The SFC has banned a former licensed representative of a brokerage firm from re-entering the industry for three years after finding that he conducted personal trading through accounts held by his sister and a friend. In addition, the SFC found that the former licensed representative intentionally concealed his beneficial interests and personal trades in those accounts, in violation of the brokerage firm's staff dealing policy.

The SFC considered his conduct dishonest and raised serious concerns about his fitness and properness to remain licensed.

SFC suspends a former responsible officer, chief executive officer and manager-in-charge for 10 months

The SFC has suspended a former RO, chief executive officer and manager-in-charge of a brokerage firm for 10 months due to supervisory failures. The individual failed to ensure that the firm maintained appropriate standards of conduct and adequately manage business risks. The misconduct related to the use of systems supplied by the firm's clients for placing orders, and the monitoring of suspicious money movements and trading patterns in client accounts.

Court sets out buy-out offer details for a former chairman to purchase shares from minority shareholders

The Hong Kong Court of First Instance has directed the former chairman and executive director of a previously listed company to make a buy-out offer to minority shareholders following findings that he orchestrated a scheme involving falsified bank balances and fabricated bank statements and balance confirmations. The court ordered him to offer HK$2.98 per share and to pay interest to shareholders who accept the offer. In addition, the court required him to make an advance payment to the court-appointed administrator for the commencement of the buy-out exercise.

Despite the order, the former chairman has failed to make the required advance payment to the court-appointed administrator and has proposed to postpone the buy-out, citing enforcement measures against his assets in the Mainland. The SFC is currently reviewing the proposal and considering appropriate follow-up actions.

Mainland China

NFRA imposes penalty on asset management company for regulatory reporting and due diligence failures

In May 2025, the National Financial Regulatory Administration (NFRA) issued a notice of penalty against an asset management company, imposing a fine of RMB 900,000 for failing to submit applications and reports to the regulatory authorities regarding the appointment of directors and senior management personnel of its wholly owned overseas subsidiaries.

Later in the same month, the Shandong branch of the NFRA issued two penalty decisions against the Shandong branch of the same asset management company: a fine of RMB 700,000 for failing to conduct due diligence on the authenticity of acquired receivables and for providing financing to enterprises ostensibly for the acquisition of non-performing receivables; and a fine of RMB 50,000 on the individual in charge.

Shanghai Financial Court rules on securities false statement liability

In April 2025, the Shanghai Financial Court publicly announced its ruling in a case involving securities false statement liability claims against the directors, supervisors and senior management of a listed company. This is the first securities infringement case nationwide since the revision of the Securities Law in 2019, and it arose from the failure of the directors, supervisors, and senior management of a listed company to fulfil their commitment to increase their equity stake in the company.

The plaintiff claimed that they purchased shares of the listed company based on the aforementioned commitment, which the defendant failed to fulfil, constituting a securities false statement. The plaintiff sought over RMB 9 million in compensation for investment losses and other damages.

The Shanghai Financial Court ruled that the defendants had made no financial preparations when first making the commitment to increase their holdings, failed to actively secure funds during subsequent extensions, and fabricated false deposit certificates using bridge financing when faced with inquiries from the exchange. Therefore, they could not establish a genuine intention to purchase shares. Given the identity of the entity making the commitment, the amount involved and the lack of credible explanation for failing to fulfil the commitment, the false statement was deemed to be established and material. The court ordered the defendants to compensate the plaintiff investors for losses totalling approximately RMB 800,000.

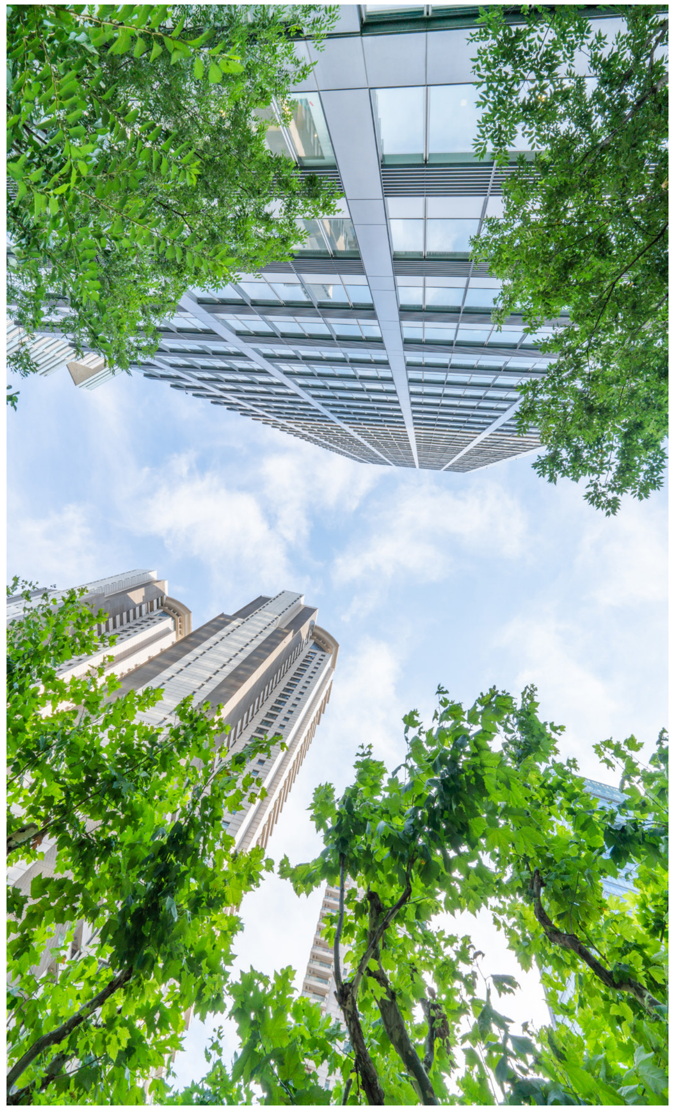
Other notable updates

Mainland China

Tariff Updates

The Customs Tariff Commission of the State Council releases an announcement on adjusting additional tariff measures imposed on imported goods originating from the United States.

The announcement specifies that the additional tariff rate, as specified in the Announcement of the Customs Tariff Commission of the State Council on Imposing Additional Tariffs on Imported Goods Originating from the United States, will be adjusted from 34% to 10%, with the remaining 24 percentage points suspended for a period of 90 days. The additional tariff measures imposed under Announcement of the Customs Tariff Commission [2025] No. 5 and No. 6 will be terminated.



Singapore

EU–Singapore Digital Trade Agreement

The EU–Singapore Digital Trade Agreement (DTA), signed on 7 May 2025, represents a significant step forward in facilitating and modernising trade finance between the European Union (EU) and Singapore – two major global trading hubs. By establishing a comprehensive framework for digital trade, the agreement addresses longstanding barriers in cross-border transactions, particularly those related to the digitalisation of trade finance processes.

One of the most notable impacts is the legal recognition of electronic transferable records, such as electronic bills of lading and digital letters of credit, which are essential instruments in trade finance and mercantile law. This recognition reduces reliance on paper-based documentation, thereby accelerating transaction times, lowering administrative costs and minimising the risk of document loss or fraud.

Furthermore, the DTA promotes interoperability between digital systems and platforms used by financial institutions and businesses in both regions, fostering greater efficiency and transparency in trade finance operations. The agreement also includes robust provisions on data flows, ensuring that financial data can move securely and freely across borders, subject to high standards of data protection. This is particularly important for trade finance, where timely access to accurate information is critical for risk assessment and compliance with anti-money laundering regulations.

Additionally, the DTA encourages the adoption of innovative technologies, such as blockchain and artificial intelligence, in trade finance, which can further streamline processes, enhance security and improve the traceability of transactions. By reducing regulatory uncertainty and harmonising digital trade rules, the DTA creates a more predictable and business-friendly environment for banks, fintech firms and exporters engaged in trade finance.

Ultimately, the DTA is expected to boost trade volumes, support the growth of small and medium-sized enterprises, and strengthen the overall resilience and competitiveness of the trade finance ecosystem between the EU and Singapore, setting a benchmark for future digital trade agreements globally.

United States

Tariff Updates

Despite two trial courts ruling that President Donald Trump exceeded his statutory authority by imposing tariffs under the International Emergency Economic Powers Act (IEEPA), those tariffs remain in effect while the government appeals both rulings. The appeals relate to (1) the so-called "fentanyl" tariffs imposed on goods originating from Canada, China and Mexico and (2) the reciprocal tariffs imposed on foreign-origin imports. One court of appeals is set to hear oral argument on President Trump's tariff authority on 31 July 2025, and the case will likely make its way to the U.S. Supreme Court this autumn.

The United States also has in place two additional sets of tariffs that are not the subject of the pending litigation:

Tariff	Current rate *(ad valorem)*	Additional information
Section 232 tariffs	50% for aluminium and steel articles and derivatives that are not of UK origin	The tariffs are imposed based on the imported product's classification under the Harmonized Tariff Schedule of the United States (HTSUS).
	25% for aluminium and steel articles and derivatives that are of UK origin 25% on automobiles and automobile parts	The United States also has pending Section 232 investigations related to commercial aircraft; jet engines and parts; copper; lumber and timber; pharmaceuticals and pharmaceutical ingredients; processed critical minerals; semiconductors and semiconductor manufacturing equipment; and trucks and truck parts.
Section 301 tariffs	7.5% – 100% (most commonly 7.5% – 25%)	Originally imposed during the first Trump administration, these tariffs apply to certain Chinese-origin goods. Chinese-origin goods include those originating in Hong Kong and Macau.

In response to these tariffs, multinational businesses are evaluating the three main drivers of tariff-related expenses: classification, country of origin and valuation. Companies are also adopting tariff-related contractual provisions to allocate the risk of further changes in the law at the outset of their commercial relationship.

For the latest updates, visit our tariff tracker. The tracker is updated daily, Monday to Friday.

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