Reed Smith Asia-Pacific: Funds & financial regulatory newsletter

Fourth quarter 2025 edition

ReedSmith

Contents

Welcome
Fourth quarter 2025 edition

Welcome to the seventh edition of our quarterly Asia Pacific funds and financial regulatory newsletter. In this edition, we highlight key developments in the financial regulatory landscape, including regulatory changes and enforcement actions relevant to financial institutions, investment managers, and funds across the region.

This edition covers a range of timely topics, including a detailed analysis of the Monetary Authority of Singapore's (MAS) evolving approach to technology-driven markets, with a particular focus on tokenisation and artificial intelligence, and the completion of the Equities Market Review Group's work and its final package of measures to strengthen the competitiveness of Singapore's equities market.

We also provide insights into the latest regulatory updates impacting fund managers, such as enhancements to the anti-money laundering and countering financing of terrorism (AML/CFT) framework in Singapore.

Additionally, we explore Hong Kong's proposal to regulate virtual asset dealers and custodians and to extend the consultation exercise to include virtual asset advisers and asset managers.

Our newsletter further examines recent enforcement trends, cross-border regulatory developments, and practical considerations for compliance teams operating in the Asia Pacific region.

In focus:
Singapore's MAS' roadmap for tech-driven markets

Introduction

On 3 December 2025, MAS outlined its priorities for capital markets supervision and innovation against the backdrop of heightened geopolitical risk and technological advancements. In a keynote address, Mr Lim Tuang Lee, Assistant Managing Director (Capital Markets) of MAS, highlighted how the derivatives market, tokenisation, and artificial intelligence (AI) continue to shape financial market dynamics. Assistant MD Lim also laid out MAS' technology-neutral approach through the Innovation, Supervision and Partnering (I-S-P) framework.

Innovating and harnessing new technology

In discussing technological change, Assistant MD Lim emphasised that the future of finance will be shaped by innovation. In particular, MAS is focusing on the two key areas of tokenisation and AI. Although tokenisation is still in the early stages of development, commercial interest in and adoption of tokenised assets have been rising among institutional investors, with tokenisation market capitalisation projected to be at S$2 trillion by 2030. For AI, there has been increasing investment and adoption of new AI technologies to improve the efficiency and effectiveness of financial market infrastructures, with investments in AI expected to reach S$100 billion by 2027.

In order to scale tokenisation, MAS has identified three main challenges: (a) the need for legal and regulatory certainty; (b) standardisation and interoperability across networks; and (c) access to safe and reliable settlement assets. To address these potential roadblocks, MAS has recently updated the Guide on the Tokenisation of Capital Markets Products for greater clarity on the position of tokenised capital markets products under the Securities and Futures Act. On the international front, it has also led the International Organization of Securities Commissions' (IOSCO) work on tokenisation, contributing to a report on tokenisation that was recently published. Through Project Guardian and the Global Layer One initiative, MAS is working with global policymakers and institutions to develop industry frameworks for tokenised products. Lastly, the BLOOM (Borderless, Liquid, Open, Online, Multi-currency) initiative was launched by MAS to support trials using tokenised bank liabilities and regulated stablecoins for settlement.

To enhance AI risk detection and responsible AI adoption across financial institutions, MAS has issued a consultation paper proposing Guidelines on AI Risk Management. It also continues to contribute to regulatory work produced by IOSCO, with a report on AI published in March 2025.

Enhancing supervisory capabilities

MAS aims to elevate supervisory capabilities in two key areas: operational resilience, particularly with respect to third-party service providers, and the use of technology in MAS' own supervisory work. It was noted that while financial institutions may outsource operations to external providers, they cannot outsource accountability in service resilience. MAS has set expectations in its Guidelines on Outsourcing and intends to expand the guidelines to cover third-party arrangements more generally. At the same time, MAS is leveraging supervisory technology (SupTech) to strengthen its surveillance of conduct regulated by the Guidelines on Fair Dealing. SupTech includes social media monitoring, utilising natural language processing (NLP) techniques and predictive analytics for early detection of any regulatory concerns that may arise.

Partnering and engaging stakeholders

Assistant MD Lim underscored partnership as a central element of MAS' approach to managing technological and market change. Through the FinTech Regulatory Sandbox, MAS works alongside industry participants to test new trading models, allowing it to study risks, validate safeguards, and gather market feedback. He also pointed to MAS' recent review of the equities market as an example of collaborative regulation, where extensive consultations with a wide range of stakeholders helped to streamline the regulatory regime to be both more business- and investor-friendly.

Mitigating economic uncertainty

Assistant MD Lim emphasised that although the global economy has been resilient to trade and geopolitical shocks, downside risks remain elevated, with prolonged uncertainty over tariffs and trade policy affecting business investment decisions. Late-stage business vulnerabilities are also observed across asset classes. These range from stretched equity valuations in technology- and AI-related sectors to higher government bond term premia reflecting fiscal sustainability concerns, alongside rising credit risks in private credit even as spreads remain historically tight.

MAS also notes the continued growth of the derivatives market and its value in portfolio diversification, risk hedging, and improving market depth and liquidity. From January to October 2025, more than 25 billion exchange-traded futures contracts were traded globally, up 7.9% year on year, while Singapore Exchange (SGX) has also reported a 17% increase in derivatives volume in the current financial year. Against this backdrop, the derivatives market may be key in mitigating the risks posed by the current financial landscape, allowing for efficient capital allocation, risk transfer, and price discovery.

In summary, Assistant MD Lim's insights reflect the need to be adaptable in order to capture new opportunities that arise from ongoing technological and market developments. They also highlight MAS' strategic approach to addressing these challenges by working with market participants and technology providers to build capital markets that are innovative and efficient, yet fair and transparent.

MAS announces completion of market review by Equities Market Review Group

In November 2025, MAS announced the completion of the Equities Market Review Group's work and its final package of measures to strengthen the competitiveness of Singapore's equities market. Key initiatives include a proposed dual listing bridge between SGX and Nasdaq, a S$30 million "Value Unlock" programme, a second batch of Equity Development Programme (EQDP) managers with a placement of S$2.85 billion under the programme, and market structure changes to support market making, modernise custody, and reduce board lots.

The EQDP aims to strengthen the asset management and research ecosystem in Singapore and increase investor interest in Singapore's equities market. The EQDP is one of a series of measures announced by the Equities Market Review Group to strengthen the competitiveness of the local equities market.

The SGX–Nasdaq dual listing bridge will offer high-growth Asian companies with market caps of S$2 billion and above a harmonised pathway to raise capital and access liquidity in both North America and Asia using a single set of offering documents, with a new board targeted for mid-2026 subject to regulatory approvals.

The "Value Unlock" programme aims to help listed companies effectively strategise and attract investor engagement through the three pillars of capabilities, communication, and communities. This is backed by S$30 million from the Financial Sector Development Fund (FSDF) and enhanced use of the Grant for Equity Market Singapore (GEMS) scheme.

MAS and the FSDF will also allocate S$2.85 billion to six additional EQDP managers, bringing total commitments to S$3.95 billion across nine managers to develop the local fund management industry. Market structure measures include new incentives for market makers, a shift towards broker custody accounts for greater access to investment services for SGX securities, and a reduction in board lots for securities above S$10 from 100 to 10 units to facilitate investor access and trading activity.

Regulatory updates

Singapore

Consultation paper on proposed Guidelines on Artificial Intelligence Risk Management for financial institutions

In November 2025, MAS issued a consultation paper seeking to introduce Guidelines on Artificial Intelligence Risk Management (AIRG) for financial institutions. The proposed guidelines complement and build upon the existing Fairness, Ethics, Accountability, and Transparency (FEAT) principles developed in 2018 in order to promote the responsible use of AI and data analytics, as well as the information papers published by MAS relating to AI and generative AI.

The proposals aim to cover supervisory expectations in relation to AI, key AI risk management systems, policies and procedures, AI life cycle controls (including data management, human oversight, and third-party AI management, among others), as well as the maintenance of AI capability and capacity. MAS also proposes the proportionate application of the guidelines with reference to the varying sizes and risk profiles of different financial institutions, where each financial institution can then make the appropriate adjustments and integrate AI into its business processes in a more seamless manner.

MAS invites comments from financial institutions and other interested parties on the proposed guidelines. The consultation paper closed for feedback on 31 January 2026.

MAS issues revised Guide on the Tokenisation of Capital Markets Products

In November 2025, MAS updated and reissued its 2017/2020 Guide on Digital Token Offerings as the Guide on the Tokenisation of Capital Markets Products. This reflects growing interest in issuing and offering capital markets products (CMPs) as digital tokens, even expanding beyond that to tokenisation activities across the capital markets value chain, including secondary trading, settlement, and custody. The guide underscores MAS' technology-neutral "same activity, same risk, same regulatory outcome approach" to CMPs, where tokenised CMPs are treated similarly to non-tokenised CMPs under the Securities and Futures Act so long as their economic substance is the same.

For offers of tokenised CMPs, the guide explains how prospectus, authorisation or recognition, and distribution requirements apply, and the need for issuers of tokenised CMPs to disclose tokenisation-specific features and risks (such as distributed ledger technology infrastructure, ownership rights, custody arrangements, and operational, legal, regulatory, and technological risks). The guide also clarifies that tokenised CMPs fall within the complex/non-complex product framework, with corresponding customer-knowledge safeguards. It also maps licensing, market operator, and custodial obligations for intermediaries operating primary issuance platforms or secondary trading venues, or providing custody and financial advice. Detailed case studies published by MAS also illustrate when digital tokens are likely to fall within the scope of CMPs under the Securities and Futures Act.

Consultation Paper on Measures to Enhance Investor Recourse Avenues in Market Misconduct Cases

In October 2025, MAS issued a consultation paper to enhance existing avenues for investors to seek recourse relating to market misconduct. The proposed enhancements seek to address challenges faced by investors when bringing a claim to court by facilitating self-organisation, enabling access to funding, and reducing the legal barriers to a civil action.

Currently, investors may either bring an independent private action in court for compensation, or apply to court for compensation after an offender has been convicted or ordered to pay civil penalties (under the piggyback provision). The proposed changes allow an independent party to be appointed as a designated representative to bring an action on behalf of investors. A grant scheme is also available for meritorious investor claims when specific statutory requirements are fulfilled. Lastly, court processes for investors to bring a claim under the piggyback provision are simplified through the use of template forms and affidavits.

MAS is seeking public feedback on the proposed amendments from interested parties. The consultation paper closed for feedback on 31 December 2025.

Consultation Paper on Consolidation of Listing Suitability and Prospectus Review Functions

In October 2025, MAS issued a consultation paper to consolidate existing prospectus disclosure and listing requirements for Mainboard listings under the Singapore Exchange. This forms part of the measures proposed by the Equities Market Review Group to streamline regulation and enhance the competitiveness of Singapore's equities market. Presently, issuers submit listing applications to both the Singapore Exchange Regulation (SGX RegCo) and MAS for a review of a prospective issuer's suitability to list and compliance with statutory disclosure requirements respectively. It was noted that this may lengthen time-to-market and create uncertainty over timelines.

Under the proposed changes, companies, business trusts, and real estate investment trusts seeking a Mainboard listing will submit prospectuses directly to SGX RegCo instead of MAS. SGX RegCo will review, accept the lodgement of, and register prospectuses on MAS' behalf. SGX RegCo will also be empowered to refuse registration, accept lodgement of supplementary or replacement documents, and issue stop orders where statutory requirements are met.

MAS will continue to exercise oversight over SGX RegCo, particularly with respect to SGX RegCo's performance of duties that were originally under the purview of MAS.

MAS publishes information paper on recruitment and onboarding training of financial institution representatives

In December 2025, MAS issued an information paper setting out its supervisory expectations, good practices, and common weaknesses observed from a thematic review of financial institutions' (FIs) recruitment, onboarding, and training of representatives under the Financial Advisers Act. The review, conducted on four FIs between 2024 and 2025, found that while basic frameworks are generally in place, there are material gaps in how firms assess the fitness and propriety of potential representatives.

For onboarding, MAS expects FIs to have structured, senior management-approved recruitment policies. This includes rigorous due diligence processes, clear eligibility criteria, escalation procedures, and risk mitigation measures for candidates with adverse information, such as misconduct reports, complaints histories, or significant indebtedness. FIs should avoid appointing such individuals as supervisors unless concerns are adequately mitigated, and are encouraged to adopt good practices, such as direct senior management interviews and general prohibitions on supervisory roles, for higher risk candidates.

FIs should also have robust frameworks for the ongoing monitoring of representatives to identify and address the risks associated with the nature of the adverse information being dealt with. The paper also sets out expectations for training representatives in line with the Guidelines on Fair Dealing. MAS highlights the need for stronger governance over third-party product training, clearer oversight of assistants hired by representatives, and tighter controls over outsourced activities, urging FIs to use the paper's guidance to benchmark and enhance their own arrangements.

Consultation paper on proposed amendments to related party transaction requirements for banks

In October 2025, MAS issued a consultation paper proposing amendments to its related party transactions (RPT) requirements for banks. This includes changes to MAS Notices 643, 643A, and 656. The proposed changes aim to enhance banks' oversight of RPTs, strengthening safeguards against conflicts of interest and solvency risks. They also seek to align more closely with international standards, such as the updated Core Principles for Effective Banking Supervision issued by the Basel Committee on Banking Supervision.

MAS proposes to broaden the definition of "related parties" to include expanded meanings of "senior management group" and "director group". It also includes a new "indirect controller group", which aims to cover persons who are able to exercise influence over the bank beyond formal voting interests. The paper also reviews which intragroup transactions should be excluded from RPT governance requirements under MAS Notice 643. Lastly, MAS plans to consolidate related party group exposure limits from MAS Notice 656 into MAS Notices 643 and 643A.

FAQs on licensing and business conduct (other than for fund management companies)

In December 2025, MAS updated its FAQs on Licensing and Business Conduct (other than for fund management companies) to refine guidance on capital markets services licensing, the appointment of representatives, business conduct rules, and the application of the Securities and Futures Act to relevant financial stakeholders.

MAS launches the BLOOM initiative to extend settlement capabilities

In October 2025, MAS launched BLOOM (Borderless, Liquid, Open, Online, Multi-currency), a new initiative to extend settlement capabilities by enabling the use of tokenised bank liabilities and well regulated stablecoins as settlement assets through standardised, risk managed approaches. BLOOM builds on Project Orchid, which previously ran trials on digital Singapore dollar use cases and infrastructure, with participating firms already translating trial insights into commercial offerings. It is also a complement to Project Guardian's asset tokenisation work and the Global Layer One shared ledger initiative.

The initiative caters to growing private sector interest in tokenised money and will support multiple G10 and Asian currencies, domestic and cross border payments, and wholesale use cases such as corporate treasury management, trade finance, and agentic payments. Financial institutions in partnership with BLOOM will focus on coordinating the distribution and clearing of settlement assets across disparate networks, embedding programmable controls to standardise and automate compliance checks for more cost effective cross border wholesale settlement, and developing AI driven agentic payment flows that execute transactions automatically within predefined limits.

MAS is currently inviting additional financial institutions and clearing and settlement network operators to conduct trials under BLOOM.

Hong Kong

Chief executive's 2025 Policy Address

Hong Kong is on its way to becoming "the world's largest cross-boundary wealth management centre" in the next few years, according to the chief executive's 2025 Policy Address delivered on 17 September 2025. Data from the Securities and Futures Commission's (SFC) July–September 2025 Quarterly Report shows a net inflow of HK$46.9 billion into Hong Kong-domiciled funds and a year-on-year increase of 35.9% in assets under management to HK$2.27 trillion as of September 2025.

To further Hong Kong's position as an international asset and wealth management centre, several changes were proposed in the 2025 Policy Address:

1. The preferential tax regimes for funds, single-family offices, and carried interest are expected to be further enhanced to attract funds into Hong Kong.
2. The SFC is expected to actively promote the inclusion of real estate investment trusts (REITs) under mutual market access to increase the liquidity of REITs in Mainland China and Hong Kong.
3. Hong Kong Investment Corporation Limited, which is wholly owned by the Hong Kong government, is expected to facilitate the growth and development of high-potential local private equity and hedge fund institutions through direct or co-investment.
4. The Qualified Foreign Limited Partnerships (QFLP) mechanism is expected to be strengthened, particularly by collaborating with Qianhai and Shanghai, to attract more foreign capital to Mainland China's private capital market.
5. Two changes are expected to be made to enhance the New Capital Investment Entrant Scheme, which requires an applicant to invest at least HK$30 million in Hong Kong:
    a. The maximum amount of investment that may be counted towards the purchase of non-residential properties will be increased from HK$10 million to HK$15 million, and no transaction price threshold will apply.
    b. The transaction price threshold for the purchase of residential properties will be lowered from HK$50 million to HK$30 million, while the maximum amount that may be counted towards this type of investment will remain unchanged at HK$10 million.

Overall, the chief executive's 2025 Policy Address showed a renewed commitment to advance Hong Kong's position as an investment and fund-raising hub.

Mainland China

Three departments to improve customer due diligence rules for financial institutions

Further to "Three Authorities Propose New Rules to Regulate Financial Institutions' Customer Due Diligence and Customer Identity Data Retention", introduced in our Q3 2025 edition, the three authorities – the People's Bank of China (PBC), the National Financial Regulatory Administration (NFRA), and the China Securities Regulatory Commission (CSRC) – have issued the Administrative Measures for Customer Due Diligence Investigations and the Retention of Customer Identity Information and Transaction Records by Financial Institutions, effective from 1 January 2026.

Under the measures, a financial institution shall conduct customer due diligence investigations where any of a number of circumstances arises, including "where it is establishing a business relationship with a customer or providing one-time financial services above a specified amount, including a single transaction or obviously related cumulative transactions", "where it has reasonable grounds to suspect that the customer and its transactions are involved in money laundering or terrorist financing", and "where it has doubts about the authenticity, validity and completeness of the client's identity information previously obtained", among others. The measures also stipulate that a financial institution shall determine the extent and specific methods of customer due diligence based on differences in the customer's risk profile, and shall not take due diligence measures that are obviously inconsistent with that risk profile.

In connection with these measures, the PBC also drafted the Administrative Measures for the Identification of Beneficial Owners by Financial Institutions and released them for public consultation until 11 November 2025. The draft measures clarify the basic requirements and principles for financial institutions to identify beneficial owners, set out the standards for identifying beneficial owners, and standardise the procedures and requirements for identification and verification.

PBC issues the Administrative Measures for Interbank Market Brokerage Business

The PBC issued the Administrative Measures for Interbank Market Brokerage Business, effective from 1 January 2026.

The measures mainly include the following provisions: (1) clarifying the scope of brokerage business, under which brokerage institutions may, as authorised, provide brokerage services related to the money market, bill market, gold market, interbank bond market, and related derivative markets to their clients, but may not provide brokerage services for financial institutions to participate in bond issuance business; (2) requiring brokerage institutions to strengthen internal controls and end-to-end business management, and to improve compliance across personnel management, due diligence, client contracting, quotations and requests for quotation, matching of trading intentions, information disclosure, record-keeping, and other relevant areas; (3) clarifying the responsibilities of clients, who shall be required to sign service agreements with brokerage institutions, cooperate with brokerage institutions in due diligence, strengthen the management of communication tools, and ensure the authenticity of commissions; and (4) enhancing supervision and regulation by specifying the practices prohibited in brokerage activities, improving mechanisms for handling violations, and preventing infringements of the lawful rights and interests of market participants and disruptions to market order.

AMAC solicits comments on new rules for the sale of publicly offered funds

The Asset Management Association of China (AMAC) drafted the Detailed Rules for the Suitability Management of Investors in Publicly Offered Securities Investment Funds for public consultation until 26 November 2025.

The draft rules are a self-regulatory instrument issued by AMAC to standardise the sales practices of publicly offered securities investment funds, strengthen the obligations of fund managers and sales institutions to ensure investor suitability, and protect investors' rights. They aim to match the risk level of funds with investors' risk tolerance and require that, when selling funds through online platforms, live streaming, or other channels, risks are fully disclosed, risk assessments are completed, and the process is traceable.

With respect to risk tolerance assessments, the draft provides that fund managers and fund distributors shall reasonably control the frequency of such assessments for ordinary investors. Specifically, investors shall undergo risk tolerance assessments no more than twice in a single day and no more than eight times within a 12-month period at the same institution. In principle, the validity period of a risk tolerance assessment result shall not exceed 12 months. The draft also stipulates that, when selling funds with a risk rating of R4 or higher to ordinary investors aged 65 and above, fund managers and fund distributors shall fulfil a special duty of care.

NFRA solicits comments on the Administrative Measures for Asset Management Trusts

The NFRA released the Draft Administrative Measures for Asset Management Trusts for public consultation until 1 December 2025.

The draft aims to strengthen oversight and risk prevention in the trust sector and focuses on clarifying product positioning; strengthening end-to-end management; tightening sales management; enhancing investment management; and reinforcing risk management and information disclosure. It specifies investor concentration limits, under which a single investor's stake shall be capped at 50% of a trust product's paid-in capital, and the stake of

a single institutional investor, together with its affiliates, shall be limited to 80% of a trust product's paid-in capital. It also sets out look-through identification rules, which require trust companies to identify the actual investor and the ultimate source of funds. The draft also specifies management requirements relating to documentation, risk disclosures, investor commitments, and risk assessments, and emphasises investor suitability management. In addition, it sets out prohibited activities for trust companies, such as setting implicit guarantees or promised returns, conducting private investment banking business in the name of trust products to serve financing parties, and engaging in fund pooling activities.

AMAC to optimise mechanism for change of private investment fund manager

AMAC issued the revised Guidelines for the Filing of Private Investment Funds No. 3 – Change of Private Investment Fund Manager on 24 October 2025, with effect from the date of issuance.

The guidelines apply to private funds that have been filed with AMAC and are applying for a change of fund manager. They specify that the original manager and the new manager shall clearly define the division of responsibilities and the transfer of rights and obligations between them and properly dispose of fund assets without harming the legitimate rights and interests of investors. In the case of a change of a private fund manager, the change shall be carried out through an investors' meeting in accordance with applicable laws and regulations, self-regulatory rules, and the fund contract. The guidelines set out the requirements relating to the qualifications of the new manager; the procedure and materials required for the change; the circumstances in which AMAC will not handle the procedures for such change; and the publication requirements applicable to the change. Notably, the guidelines specify that, where there are relevant provisions in the fund contract, the change of fund manager shall be conducted in accordance with the voting mechanism and voting ratio specified therein. The guidelines also stipulate that, for newly established private investment funds, the fund contract shall include provisions addressing the change of fund manager, the amendment or termination of the fund contract, and the liquidation of the fund in circumstances where the fund manager is unable or fails to perform its duties.

PBC revises the Measures for the Supervision and Administration of Anti-Money Laundering and Counter-Terrorism Financing by Financial Institutions and the Administrative Measures for the Reporting of Large-Value and Suspicious Transactions by Financial Institutions

As introduced in the Q3 2025 edition, the Draft Administrative Measures for Special Anti-Money Laundering Preventive Measures were issued for public consultation. On 20 October 2025, the PBC released the Circular on Relevant Matters Concerning the Implementation of the Measures for the Supervision and Administration of Anti-Money Laundering and Counter-Terrorism Financing by Financial Institutions, effective from 1 December 2025.

The PBC and its branches are the authorities responsible for supervising anti-money laundering (AML) and counter-terrorism financing (CFT) compliance by institutions obligated to fulfil the AML/CFT duties set out in the Measures for the Supervision and Administration of Anti-Money Laundering and Counter-Terrorism Financing by Financial Institutions. The principals of financial institutions and their branches are responsible for the effective implementation of internal AML/CFT control systems. The revised measures specify that the AML/CFT leading department of a financial institution shall establish a coordination mechanism with relevant departments to identify, monitor, and assess the institution's money laundering and terrorist financing risks, and establish and improve internal control systems. Relevant business departments shall bear direct responsibility for money laundering and terrorist financing risk management, make appropriate personnel and resource arrangements for AML/CFT work, conduct targeted and ongoing monitoring through manual or system-based methods, and implement money laundering risk management measures when necessary. The revised measures include a provision requiring that AML reviews of non-bank payment institutions and other entities when they enter the market shall be conducted mainly through a review of the criminal background of the institution's controlling shareholders, actual controllers, beneficial owners, directors, supervisors, and senior managers, in order to prevent criminals or their close associates from controlling such institutions.

The PBC also promulgated the revised Administrative Measures for the Reporting of Large-Value Transactions and Suspicious Transactions by Financial Institutions on 30 September 2025, revising the 2016 version, effective from 1 December 2025. Notably, Article 14 of the measures has been revised to read as follows: "Financial institutions shall conduct manual analysis and identification of transactions filtered through transaction monitoring standards and record the analytical process. Where a transaction is not reported as a suspicious transaction, the reasonable grounds for exclusion shall be recorded; where a transaction is confirmed as suspicious, the analysis of the customer's identity characteristics, transaction characteristics, or behavioural characteristics shall be completely provided in the reasons for reporting the suspicious transaction. Financial institutions shall set a reasonable time limit for the above manual analysis, identification, exclusion, or confirmation work."

Enforcement actions

Singapore

Capital Markets Services licence revoked for regulatory breaches

MAS revoked the Capital Markets Services (CMS) licence of a licensed firm. The action was taken due to the firm persistently failing to meet regulatory requirements set out by the Securities and Futures Act.

The firm did not submit its quarterly returns within the required timelines. It also failed to maintain the capital requirements and satisfy MAS as to its financial standing. Given the firm's repeated non-compliance despite multiple reminders, MAS found that the firm was in breach of its regulatory obligations. This underscores MAS' expectation for all financial institutions to comply with the necessary regulatory requirements at all times.

Individual charged for insider trading under the Securities and Futures Act

MAS charged an individual for insider trading and related offences under the Securities and Futures Act. The individual was employed by a company related to a real estate investment trust (REIT) manager. He purchased REIT units while in possession of non-public information in relation to the financial results of the REIT. He also traded REIT units on behalf of his colleagues without disclosing that he was the sole beneficial owner of the units under his trading account. His misconduct led to two charges of insider trading and one charge of deceiving a brokerage firm under the Securities and Futures Act.

Three-year prohibition order for forgery

Two former representatives of an insurance company were issued a three-year prohibition order. One of the representatives forged the signature of a client to process a policy termination. He later attempted to conceal the misconduct by providing false information to the authorities. His supervisor, who was aware of the forgery, was expected to stop and report the misconduct. However, he instead instigated and advised the other representative to maintain the false account.

Civil penalty against individual for insider trading

MAS imposed a civil liability of S$50,000 on a former securities professional for insider trading in the shares of two companies. The individual became aware of a transaction involving the sale of a subsidiary and its intended sale price before the information went public. Believing that the market would react positively to the transaction, the individual personally bought shares and also procured another to purchase shares ahead of the announcement. In addition to paying the civil penalty, he also undertook not to act as a director or be involved in company management for a period of two years.

Prohibition orders for insurance fraud

MAS issued prohibition orders against two individuals for large-scale insurance fraud. One of the individuals, a former claims assessor at an insurance company, abused his position by diverting beneficiary bank details, creating fictitious claims on policies belonging to others, and approving the payouts himself. Over more than two years, he wrongfully obtained about S$1.9 million, which he used for personal gain and to settle debts.

The second individual, a friend of the former claims assessor and a policyholder under two of the affected policies, knew about the false claims but did not report them because the proceeds were used to repay money owed to him. The former claims assessor received a 15-year prohibition order. The friend of the former claims assessor received a nine-year prohibition order. Both individuals were also convicted of criminal charges and sentenced to imprisonment under the Penal Code, Computer Misuse Act, Remote Gambling Act, and/or Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act.

Prohibition order for false trading

MAS issued a 10-year prohibition order against a general insurance agent for false trading, unauthorised trading, and dishonestly receiving stolen property. The individual had conspired with a company executive to artificially create the appearance of active trading of the company's shares. This was done with the purpose of meeting the new minimum trading price requirement set out by the Singapore Exchange. Over a 10-month period, he placed extensive trades through multiple accounts, accounting for more than half the trading volume of the company during that time. Of those accounts, the individual was only authorised to operate one of them.

He also dishonestly received nearly S$1 million, which he had reason to believe was stolen property, and subsequently used part of it to support his false trading activities. He was subsequently convicted of false trading, unauthorised trading, and dishonestly receiving stolen property, and sentenced to imprisonment.

Civil penalty against non-executive director for insider trading

MAS imposed a civil penalty of S$137,000 against a non-executive director for insider trading in the shares of a listed company. The individual was aware that the company had defaulted on a substantial loan and that the creditor had the right to immediate repayment. While in possession of such non-public, material information, he sold shares held in his parents' accounts ahead of the creditor's announcement of the company's default. This allowed the individual to avoid losses of approximately S$55,000. In addition to paying the civil penalty, he also undertook not to act as a director or be involved in company management for a period of two years.

Hong Kong

SFC sanctions global private bank for product due diligence failures

The Securities and Futures Commission (SFC) reprimanded a global private bank and fined it HK$10.85 million for product due diligence, record-keeping, and late-reporting failures between 2015 and 2020. Following a self-report and Hong Kong Monetary Authority (HKMA) referral, the SFC found that the bank failed to take into account special features when assessing 322 bonds, did not update internal policies promptly to reflect regulatory changes, and did not provide sufficient information and warning statements for certain complex products at or before the point of sale. The bank also failed to maintain product due diligence records for 141 bonds and did not immediately report such failures to the SFC at first instance.

In setting the sanction, the SFC considered the bank's remedial steps to strengthen its due diligence framework, its cooperation with the SFC and HKMA, and its plan to implement enhanced complaint handling procedures (ECHP) to review transactions with respect to the 351 affected products, ensuring that customer complaints are addressed fairly.

SFC secures false trading conviction against company executive

The Shatin Magistrates' Court has convicted an administration controller of a Hong Kong-listed technology group for false trading in the company's shares, following a prosecution brought by the SFC. The executive, who is the de facto spouse of the company's chairman, has been remanded in custody pending sentencing, with the court to consider background reports before passing sentence.

She placed a series of bid orders for the company's shares through her personal securities account in the final minutes before market close and at prices above prevailing market levels, without any genuine investment purpose. The court found that she intended to create a false or misleading appearance of demand for the shares to ease margin call pressure on a margin account with the chairman's substantial shareholding in the company. This amounted to false trading under the Securities and Futures Ordinance.

SFC secures insider dealing conviction against corporate services executive

The Eastern Magistrates' Court has convicted a former vice president of the Hong Kong arm of a global investor services provider of insider dealing in the shares of a Main Board listed holding company, following a criminal prosecution by the SFC. The executive pleaded guilty and has been remanded in custody pending sentencing.

The court found that, while coordinating and monitoring the voting process for a proposed privatisation of the listed company, the executive learned that the required shareholder approval threshold would not be met. Knowing this was inside information, he sold all 1.5 million shares ahead of the public announcement that the privatisation had lapsed, avoiding a loss of around HK$289,500 when the share price fell by over 10% after the announcement.

SFC suspends responsible officer over failures to safeguard client assets

The SFC has suspended a responsible officer, manager in charge, and director of a licensed brokerage for three and a half months for neglecting her duties in connection with unauthorised sales of client securities and transfers of client funds. The suspension follows earlier sanctions against the brokerage after it acted on instructions from a bogus email address resembling that of an overseas client, sold the client's shares, and transferred sale proceeds of about US$3.3 million to non designated overseas bank accounts despite multiple irregularities.

The SFC found that the firm failed to ensure client assets were adequately safeguarded and lacked effective internal controls to protect against theft, fraud, and misappropriation, considering these failures attributable to the responsible officer in her capacity as a member of senior management. In setting the suspension period, the SFC took into account the seriousness of the control weaknesses, the officer's cooperation in resolving the concerns, and her otherwise clean disciplinary record.

SFC orders trading suspension in education group over suspected bank balance overstatements

The SFC has directed The Stock Exchange of Hong Kong to suspend dealings in the shares of a Main Board listed education group. The move follows SFC inquiries into payments for a software development project and the acquisition of a UK-based company, which revealed discrepancies between bank statements provided by the company and those obtained independently. This included omission of circular fund flows, which returned to the company.

The SFC discovered material overstatements of corporate bank balances in the company's published financial statements, amounting to RMB 36.4 million and RMB 76.3 million at two reporting dates and representing 19% and 55% of stated net asset value, respectively. The regulator suspects that the transactions were not genuine or at arm's length, that fabricated bank statements were submitted to conceal questionable fund flows, and that the company's accounts significantly overstated bank balances. This raised serious concerns about management integrity, internal controls, and the reliability of the information upon which trading was previously allowed to resume. The company has so far failed to satisfactorily address these concerns, which ultimately led to the suspension.

SFC freezes assets of suspected manipulator of small-cap food group

The Court of First Instance has granted the SFC an interim injunction freezing up to HK$62.6 million in assets held in certain securities and bank accounts of a suspected manipulator of a delisted small-cap food company's shares. The order prevents the suspect from disposing of or dealing with those assets, thereby ensuring funds are available to satisfy any orders the court may make if market misconduct is ultimately established.

The suspect is alleged to have manipulated the company's shares over a two-month period as part of a wider "ramp and dump" scheme, and is one of five defendants already facing related criminal charges, including conspiracy to defraud and conspiracy to employ a fraudulent scheme in securities transactions. The interim injunction will remain in force until the conclusion of the SFC's court proceedings or further order, forming part of a broader coordinated response to the suspected manipulation.

SFC freezes assets of suspected misconducting director via broker restriction notices

The SFC has issued restriction notices to two licensed brokers, prohibiting them from dealing with or processing any withdrawals or transfers of assets in accounts ultimately owned by a board member of a listed corporation suspected of serious misconduct and breaches of duty. The SFC deems the restrictions necessary to preserve assets so that funds are available to satisfy any orders that a court may make in potential legal proceedings, and regards the action as desirable in the interests of the investing public and the wider public interest.

SFC sanctions broker for failures to safeguard client assets

The SFC has reprimanded a licensed brokerage and fined it HK$900,000 for unauthorised sales of client securities and transfers of client funds based on instructions from a bogus email address resembling that of an overseas client. Over several months, the firm sold shares in the client's account and transferred sale proceeds of about US$3.3 million to non-designated overseas bank accounts, despite clear red flags, including an incorrect email address and repeated telegraphic transfer rejections by multiple banks.

The SFC found that the firm failed to adequately safeguard client assets and lacked effective internal controls to protect against theft, fraud, and misappropriation. In setting sanctions, the SFC considered the seriousness of the control failures, but also the firm's remedial measures to strengthen order placing and trade execution procedures, its full compensation of the affected client, its engagement of independent reviewers to assess its controls, its cooperation with the SFC, and its otherwise clean disciplinary record.

SFC secures first jail sentence against finfluencer for unlicensed investment advice

The Eastern Magistrates' Court has convicted a finfluencer for providing paid investment advice on a subscription-based Telegram chat group without an SFC licence, in a prosecution brought by the SFC. He received a six-week custodial sentence, was ordered to pay the SFC's investigation costs, and was remanded in custody after his bail application was refused pending an intended appeal against conviction and sentence.

Over about a month, the finfluencer ran a Telegram group open to the public on a paid subscription basis, charging around HK$1,560 per month and earning subscription income of roughly HK$43,680, while circulating commentaries, recommendations, and target prices on various securities and answering subscribers' questions on listed stocks.

The SFC emphasised that unlicensed finfluencers may not meet regulatory conduct standards and can expose investors to significant risks. It also reminded the public to verify the licensing status of anyone providing investment advice via social or online platforms using the SFC's Public Register of Licensed Persons and Registered Institutions and fully understand the associated risks before basing financial decisions on such information.

SFC prosecutes two individuals for alleged illegal short selling scheme

The SFC has commenced criminal proceedings against two individuals over an alleged fraudulent scheme involving illegal short selling in the shares of 28 Hong Kong-listed companies. The pair are accused of falsely representing that one of them held sufficient shares of the relevant companies to support sell orders placed through his securities account at a brokerage, when he in fact did not. Through this, they were able to execute illegal short sales and generate profits of about HK$11 million.

No plea was taken at the initial hearing and the case was adjourned for a further hearing at which the prosecution intends to seek a transfer to the District Court. Both defendants were granted bail on conditions including a travel ban, surrender of travel documents, regular police reporting, cash bail, and residence requirements.

SFC bans former bank relationship manager for life over theft of client assets

The SFC has prohibited a former account manager of a major retail bank from re-entering the industry for life following his criminal conviction for stealing client assets. He was earlier sentenced by the District Court to 30 months' imprisonment after being found guilty of misappropriating funds from a client's account.

The court found that, over a prolonged period, he unlawfully retained the client's ATM card and PIN, sold the client's investment holdings without authorisation, transferred the sale proceeds into the client's bank account and then made 88 unauthorised ATM withdrawals totalling about HK$1.53 million for his own benefit. The SFC considered the severity and premeditated nature of the misconduct, and held that his abuse of a position of trust showed a fundamental lack of honesty and integrity incompatible with working in the financial industry, warranting a lifetime ban.

SFC seeks to disqualify former directors over overstated cash balances

The SFC has commenced proceedings in the Court of First Instance seeking disqualification orders against three former executive directors, including the former chairman, of a Hong Kong-listed group. The action follows an investigation into substantial overstatements of the company's cash and cash equivalents in its 2011 and 2012 financial statements.

The SFC alleges that the former directors allowed or caused the company to overstate its cash and cash equivalents, and therefore its net assets, by approximately RMB 198.9 million and RMB 302.4 million at two reporting dates, representing about 13.6% and 19.9% of net assets respectively. They are also said to have failed to ensure timely, accurate, and complete disclosure of the discovery of these overstatements and other audit irregularities identified by the company's then auditors, resulting in published financial reports that materially misstated the company's true financial position.

SFC suspends former representative for unauthorised online trading in client account

The SFC has suspended the licence of a former licensed representative of a Hong Kong brokerage for seven months. She had logged into a client's securities account, placed 945 orders via the internet over several months without the firm's knowledge or valid written authorisation, and failed to keep proper records of the client's instructions.

The SFC found that this conduct deprived the firm of the ability to verify who originated the trading instructions and undermined its obligation to maintain an adequate audit trail, exposing clients to the risk of unauthorised trading and firms to trade disputes, and potentially facilitating market misconduct by obscuring the true source of trades. In setting the suspension, the SFC considered the duration and frequency of the misconduct, the need for deterrence, and the representative's otherwise clean disciplinary record.

SFC bans former bank employee for staff dealing misconduct and concealment of personal trading

The SFC has prohibited a former relevant individual of a major bank's Hong Kong operations from re-entering the industry for seven months for failing to comply with staff dealing requirements and concealing personal trading activities. Over a period of five years, he failed to disclose multiple personal securities accounts he held at other institutions and only revealed two of them shortly before leaving the bank.

The SFC also found that he opened and used a margin trading account at an external broker in his mother's name to conduct over 260 personal trades without disclosing his interest, reporting the trades, providing account statements to his employer, or complying with the required minimum holding period, while falsely declaring on eight occasions that he had followed the staff dealing policy. The SFC considered this concealment wilful and dishonest, undermining the bank's ability to monitor staff trading activities and calling into question his fitness and properness. In setting the ban, the SFC took into account the prolonged nature of the misconduct, his cooperation, and his otherwise clean record.

SFC freezes assets of suspected manipulators of company's shares

The Court of First Instance has granted the SFC an interim injunction freezing up to HK$82.4 million of assets in Hong Kong belonging to 12 individuals suspected of manipulating the shares of a formerly Main Board-listed group. The order restrains them from removing, disposing of, or dealing with their Hong Kong assets up to the specified amount, thereby ensuring sufficient funds are available to meet restoration orders sought by the SFC if market misconduct is ultimately proved.

The injunction forms part of wider proceedings brought by the SFC against the former chairman of another listed group, 28 additional suspects, and a corporate entity over the alleged manipulation of the company's shares during the relevant period. It will remain in force until a further court hearing, and follows an earlier consent order freezing the assets of one suspected manipulator, with a separate application pending against another.

The SFC further stressed that undisclosed related-party borrowing and conflicted pledges seriously undermine directors' fiduciary duties and market confidence.

Trial dates set in insider dealing case against former chairman of entertainment company

The Eastern Magistrates' Court has fixed trial dates in the SFC's criminal prosecution of a businessman who is the former chairman of a Main Board-listed entertainment company for alleged insider dealing in the company's shares. He has pleaded not guilty to allegations that, while chairman and controlling shareholder and in possession of inside information, he counselled or procured another person to trade in the company's shares over a period of several weeks.

His bail was extended pending trial on conditions including a cash bond, a requirement to reside at a notified address and to inform the police of any change, and an obligation to notify the SFC before leaving Hong Kong.

SFC and HKEX take joint actions against former directors over undisclosed loans and conflicts at construction group

The SFC and Hong Kong Exchanges and Clearing Limited (HKEX), through The Stock Exchange of Hong Kong (the Exchange), have taken coordinated enforcement action against two former directors of a delisted construction group for failing to procure disclosure of material financial liabilities and to properly manage conflicts of interest at IPO.

Investigations revealed that the father–son pair did not disclose 13 outstanding loans totalling about RMB 49 million, involving a group subsidiary as co-borrower or guarantor, to the sponsor or other directors at listing, even though at least RMB 44 million of the proceeds were paid to the father and the loans remained outstanding well after IPO. The investigation also found that, after listing, they pledged a subsidiary company's property to secure the loans without the knowledge or approval of the board or independent shareholders, despite the father's personal benefit from the arrangements.

The SFC shared its findings with the Exchange, which issued a "Prejudice to Investors' Interests Statement" and public censures against both former directors on the basis that investors' interests would have been prejudiced had they remained on the board. The SFC further stressed that undisclosed related-party borrowing and conflicted pledges seriously undermine directors' fiduciary duties and market confidence.

SFC convicts former financial controller for money laundering of listed company funds

The High Court has convicted the former financial controller and company secretary of a delisted pharmaceutical group of two counts of money laundering linked to the misappropriation of the company's fundraising proceeds, sentencing him to seven years and eight months' imprisonment and disqualifying him from being a company director in Hong Kong for 12 years. The conviction followed a guilty plea to money laundering under the Organized and Serious Crimes Ordinance.

The misconduct was uncovered during an SFC investigation into suspected false or misleading disclosure in the company's financial statements, which revealed misappropriation of fundraising proceeds. The matter was then referred to the police for criminal investigation.

The SFC highlighted that financial controllers and those in gatekeeping roles have responsibilities that go beyond transactional oversight to safeguarding corporate financial integrity and investor trust, stressing that abuse of such positions to facilitate criminal acts represents a serious breach of fiduciary duties and a threat to market transparency and stability.

SFC sanctions global bank over long-running professional investor misclassification

The SFC has reprimanded a global bank and fined it HK$8 million for internal control deficiencies that led to inaccurate professional investor classification of certain joint accounts over more than 12 years. An automated process, based on a misinterpretation of the minimum portfolio requirement in the Securities and Futures (Professional Investor) Rules, caused some joint accounts that should have been treated as non-professional investors to be misclassified as professional investors.

As a result, the bank provided securities pooled lending services to some misclassified clients without valid standing authorities or proper disclosures, and sold them products intended only for professional investors. A look back review conducted by the bank for 2018–2022 identified 560 misclassified joint accounts, including 23 that used securities pooled lending and 94 that traded in professional investor restricted products.

In setting sanctions, the SFC took into account the duration of the lapse, previous regulatory breaches, the bank's self-reporting, remedial enhancements to its systems and controls, cooperation with the SFC, and its commitment to implement enhanced complaint handling procedures for potentially misclassified clients.

Court fines licensed firm for contempt over failure to comply with SFC investigation notices

The Court of First Instance has ordered a licensed securities firm to produce records and pay a fine after finding it in contempt of court. The firm had failed to comply with statutory notices issued by the SFC in investigations into suspected fraudulent or deceptive schemes and false or misleading disclosure involving IPOs where the firm acted as bookrunner, lead manager, and underwriter. The court directed the firm to comply with the outstanding information requests by a specified deadline, with the amount of the fine to be determined later.

The court rejected the firm's explanations, which included changes in ownership and management and the relocation or loss of books and records, noting that these were not reasonable excuses for non-compliance with the SFC's notices. The SFC stressed that licensed firms and individuals must cooperate fully with investigations and that non-compliance with statutory requests undermines market integrity and will attract robust enforcement action.

SFC suspends responsible officer for failures in credit risk and AML oversight

The SFC has suspended a former responsible officer and senior manager of a brokerage for four months for failing to properly manage credit risks and to identify and report suspicious client trading. The action follows findings that the firm lacked effective policies and systems for credit risk management and ongoing monitoring of suspicious trading, in breach of conduct and AML/CFT requirements, and that these failures were attributable to the responsible officer's performance of his role.

The firm granted three cash clients trading limits of HK$4 million–HK$5 million at the request of a substantial shareholder after they had opened accounts and deposited only HK$10,000 each, without any applications from the clients or proper due diligence on their financial circumstances. The clients then used these limits for trading that was incommensurate with their financial profiles and exhibited suspicious features suggestive of potential market misconduct and money laundering, which the firm failed to flag, follow up, or report to the authorities. In setting the suspension, the SFC cited the seriousness of these failures, the need for deterrence, and the officer's cooperation and clean record.

Mainland China

Senior executives fined by CSRC for non-compliant disclosure of information

A company in Guangdong Province and its senior executives were investigated by the China Securities Regulatory Commission (CSRC). The investigation revealed that, among others, the company's annual reports from 2014 to 2020 contained false information regarding shareholder holdings; its 2018 annual report failed to disclose the acquisition of a company as a related-party transaction, constituting a material omission; and the interim announcement disclosed in 2020 contained false information with respect to the company's indirect acquisition of equity in another company, which was also a related-party transaction. The company was ordered to rectify its violations, issued a warning, and fined RMB 9 million. Several senior executives were also fined, with penalties ranging from RMB 250,000 to RMB 14 million. One individual was fined RMB 14 million in total, comprising RMB 5 million as the directly responsible person and RMB 9 million in their capacity as actual controller.

Material omissions and fake records in annual reports

A company in Hubei Province was found to have failed to disclose related-party transactions as required, and its 2020 annual report contained material omissions and false records. One individual who served as its board chairman was responsible for planning the above-mentioned conduct during his tenure. After resigning as board chairman, he continued to perform the duties of director, supervisor, and senior manager, and was directly involved in the company's unlawful information disclosure in its 2020 annual report. The company's annual reports from 2021 to 2023 also contained false records. The above-mentioned individual, who was the actual controller of the company during this period, was found to have been involved in these matters.

The company was ordered to rectify its actions, issued a warning, and fined RMB 8.5 million. The individual was fined RMB 15 million in total, comprising RMB 5 million as the directly responsible person and RMB 10 million in his role as the actual controller. In addition, he was banned from the securities market for 10 years.

Law firm fined for failing to exercise due diligence in legal services for IPO

The CSRC investigated a law firm in Shanghai in connection with its provision of legal services to a company in relation to its IPO on the Science and Technology Innovation Board. The investigation found that the firm failed to exercise due diligence in its practice, and that the legal opinions and other documents it issued contained false information. Specifically, the law firm failed to prudently determine the scope of material contracts; failed to verify the authenticity of the company's relevant sales contracts; and failed to properly implement procedures for visiting the company's clients who accounted for the majority of the company's sales revenue. The law firm's revenue from providing legal services to the company was RMB 1.14 million. The firm was ordered to rectify its conduct, its legal service revenue of RMB 1.14 million was confiscated, and it was fined RMB 1.14 million. Three individuals, as the signing lawyers for the project, were issued warnings and each fined RMB 200,000.

Two individuals penalised for insider trading

A company announced its plan to acquire a controlling stake in another company through a combination of share issuance and cash payment. An individual named Chen had close ties with insiders who had access to inside information. During the sensitive period prior to the company's public announcement of its intentions, Chen conducted large volume trading in the company's shares using both her own securities accounts and those of others, and engaged in margin purchases, indicating a strong buying intention. She gained total profits of more than RMB 8 million. These illegal gains were confiscated, and a fine of more than RMB 41 million was imposed. Another individual, named Huang, after becoming aware of the inside information, used other people's securities accounts to trade the relevant company's stock during the sensitive period, obtaining profits of more than RMB 300,000. His illegal gains were confiscated, and a fine of RMB 1.5 million was imposed.

... the law firm failed to prudently determine the scope of material contracts; failed to verify the authenticity of the company's relevant sales contracts; and failed to properly implement procedures for visiting the company's clients who accounted for the majority of the company's sales revenue.

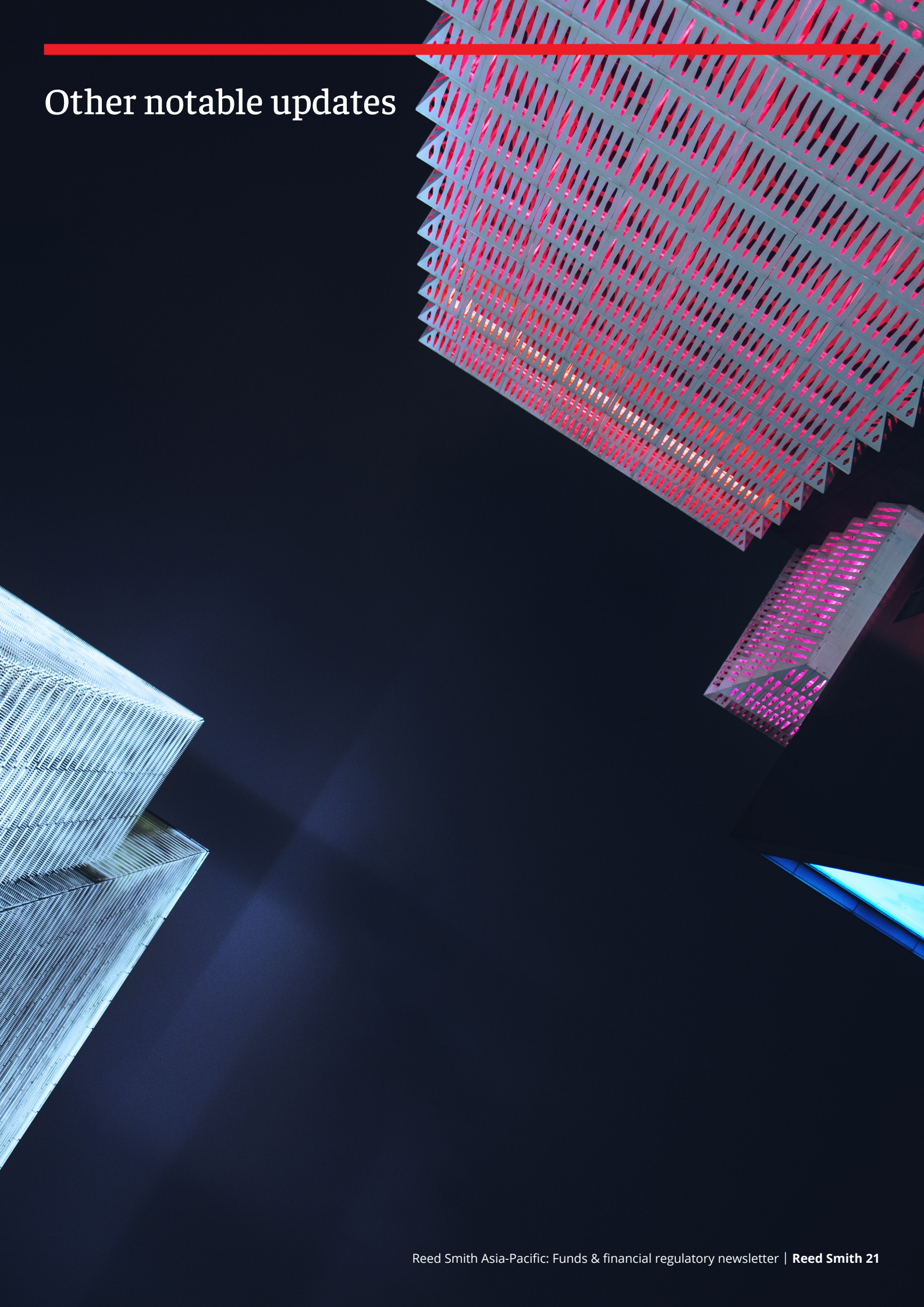
Investment management consulting company penalised

An investment management consulting company in Beijing and its legal representative and board chairman were investigated by the CSRC and found guilty of the following, among other violations: failing to retain relevant documents and materials as required, including complete marketing service records for 13 clients from 2021 to 2023; failing to maintain complete records of business promotion, agreement signing, and service provision for 221 clients in 2020; and making false statements in documents and materials submitted to securities regulatory authorities – namely, that during the six-month period in which it was ordered by the CSRC's Beijing branch to conduct a comprehensive rectification and suspend the addition of new clients, it added 223 new clients but reported to the CSRC that no new clients had been added. An individual named Zhang, the company's legal representative and chairman at the relevant time, was the person in charge directly responsible for the above-mentioned violations. The company was fined RMB 3 million, and its securities investment consulting business licence was revoked. Zhang was issued a warning and a fine of RMB 600,000, in addition to being banned from the securities market for six years.

Penalties imposed by NFRA

A bank was fined RMB 7.2 million by the National Financial Regulatory Administration (NFRA) for inadequate management of outsourcing agencies, inaccurate enterprise classification, and other violations. A responsible person was issued a warning and a fine of RMB 60,000.

Other notable updates



Singapore's MAS to implement revised representative misconduct requirements from 2027

Background of proposed changes

The Monetary Authority of Singapore (MAS) has recently published a response to its long-standing 2022 consultation proposing amendments to Notices setting out requirements for certain types of financial institutions (FIs) to report misconduct by their representatives or broking staff (the Misconduct Notices).

The amendments are intended to implement changes to the existing misconduct reporting requirements (please refer to the original consultation and response). The changes will not be implemented by amendments to the existing Notices. Instead, MAS has published the amended Notices on 30 December 2025, which state that these will take effect (while the existing Notices will be cancelled) from 1 January 2027.

Scope of misconduct reporting requirements to be widened

Scope of FIs subject to requirements

The new Misconduct Notices will take effect from 1 January 2027, and comprise the following:

- Notice SFA04-N24 on Reporting of Misconduct of Representatives by Holders of Capital Markets Services Licence and Exempt Persons (SFA Misconduct Notice)

  The FIs subject to the SFA Misconduct Notice will remain unchanged come 2027, that is, holders of a capital markets services licence (CMS licensees) under the Securities and Futures Act 2001 (SFA), as well as banks, merchant banks, insurance companies, and finance companies (collectively, the exempt FIs) conducting SFA-regulated activities.

- Notice SFA-N27 on Reporting of Misconduct of Representatives by Financial Advisers (FAA Misconduct Notice)

  The FIs subject to the FAA Misconduct Notice will also remain unchanged come 2027, that is, licensed financial advisers under the Financial Advisers Act 2001 (FAA) and exempt FIs conducting FAA-regulated activities.

- Notice 508 on Reporting of Misconduct of Broking Staff by Insurance Brokers and of Representatives by Accident and Health Insurance Intermediaries (IA Misconduct Notice)

  Currently, this is limited to registered insurance brokers under the Insurance Act 1966 (IA) and exempt FIs conducting insurance broking activities under the IA. However, from 1 January 2027, FIs subject to the IA Misconduct Notice will include licensed insurers and licensed or exempt financial advisers who arrange contracts of insurance for long-term accident and health insurance policies.

MAS has published the amended Notices on 30 December 2025, which state that these will take effect (while the existing Notices will be cancelled) from 1 January 2027.

Scope of reportable misconduct

The categories of reportable misconduct have been revised as follows:

Instrument	Types of misconduct currently in scope	Changes taking effect from 1 January 2027
SFA Misconduct Notice	Any act relating to market conduct provisions under Part 12 of the SFA (such as prohibited conduct or insider trading)	No substantive change to this limb.
FAA Misconduct Notice	Any act involving inappropriate advice, misrepresentation, or inadequate disclosure of information.	This will be expanded to include acts involving gross negligence or inappropriate recommendations In addition, any act must either have: (i) a material adverse impact on the interests of the client; or (ii) impinge on the fitness and propriety of the representative. The definition will also include examples of the types of acts that are in scope.
IA Misconduct Notice	Any act involving failure to exercise due care and diligence, misrepresentation, or inadequate disclosure of information.	This will be amended to align with the FAA Misconduct Notice
All Notices	Any act involving fraud, dishonesty, or other offences of a similar nature, such as cheating, dishonesty, fraud, forgery, misappropriation of monies, or criminal breach of trust.	This will be expanded to include acts involving illegal monetary gains, bribery, money laundering, and tax evasion.
	Any failure to satisfy the Guidelines on Fit and Proper Criteria.	These will be removed to reduce overlap with other reportable categories. MAS also stated that not every failure to satisfy fit and proper requirements will result in misconduct that is required to be reported. Examples of when a misconduct is reportable (and when it is not) are provided in MAS' response (under Annex 1) to its initial consultation.
	Any other type of misconduct resulting in (i) non-compliance with any regulatory requirement or (ii) a serious breach of internal policies or code of conduct that would result in suspension, termination, or demotion.	

Reporting requirements

Misconduct report

Currently, FIs are already required to report misconduct to MAS using a prescribed format.

The new Misconduct Notices require FIs to submit misconduct reports to MAS within 21 calendar days after the FI establishes reasonable grounds to believe that its representatives or broking staff (including former personnel) have committed any misconduct. Misconduct reports submitted to MAS must also adhere to a new prescribed format. If police reports are lodged, copies of these must be submitted together with the misconduct report.

Any subsequent significant developments must also be reported to MAS. A "significant development" includes:

- the lodging of a police report (or a decision not to lodge a police report). This will require either a copy of the police report or the justifications for the decision not to lodge the police report to be submitted;
- an arrival at an outcome, or a change in the outcome, of the FI's internal investigations;
- the FI's decision to take or change any corrective action; or
- the FI being made aware of the outcome of any police investigations or criminal proceedings.

Investigation report

The Misconduct Notices also introduce a new requirement to submit an investigation report (in addition to the misconduct report), which must also adhere to a separate prescribed format.

For misconduct that involves fraud, dishonesty, or other similar offences, FIs must assess whether a police report should be lodged and submit an investigation report (including information on the status of any police report or assessment) together with the misconduct report.

For other types of misconduct, the investigation report will typically also be submitted together with the misconduct report, but there are carve-outs for certain limiting circumstances. This includes cases where the FI's internal investigations are still ongoing, but it has been made aware of formal regulatory actions taken against the representative or broking staff (in which case the misconduct report is submitted first, followed by the investigation report once the investigation is complete).

MAS must also be given an updated investigation report if any "significant developments" arise.

Guidance on investigation processes and corrective actions

To improve the standards of investigation processes across the board, the new Misconduct Notices include additional guidance on how internal investigations into misconduct should be conducted. Recommended steps include interviewing the representatives or broking staff as well as the customers involved and reviewing transaction documents, pricing records, and past correspondence.

There is also guidance on appropriate corrective action that an FI should take (e.g., suspension, fine, warning, termination). There should also be internal processes to identify the root cause of misconduct, implement appropriate remedial measures (e.g., improvement of controls), and handle appeals against any corrective action.

Notifying representatives or broking staff under investigation

FIs will also be required to notify their representatives when they are under investigation and provide them with a copy of the misconduct report lodged with MAS (including any subsequent updates). This extends to former representatives of the FI, who may need to disclose and explain any misconduct to a new prospective principal.

This requirement will not apply if a notification would tip off the representative or compromise the quality of the FI's investigation (which may be relevant to offences involving money laundering and terrorism financing).

Comparative position in Hong Kong

We have set out the position in Hong Kong for regionally active financial institutions. At present, the Hong Kong Securities and Futures Commission (SFC) imposes a requirement for licensed corporations in the securities and futures industry to notify the SFC immediately upon any material breach, infringement, or non-compliance of SFC-administered laws and regulations, including by their representatives. A delay in notifying the SFC of such material incidents will be treated seriously and has, on a previous occasion, resulted in a substantial fine.

Separately, licensed corporations must also notify the SFC within seven business days of the cessation of employment of any of its representatives. The prescribed notification form requires the principal to indicate whether such representatives were subject to an internal investigation during the six months prior to cessation of employment. Alternatively, if there is an internal investigation commenced post-notification, this also needs to be reported to the SFC. Such disclosures are intended to prevent "rolling bad apples" by allowing the SFC to track such disciplinary cases, although there is currently limited guidance on the scope of misconduct being investigated that must be reported, and on how investigations which are still ongoing at the time of the representative's departure are to be handled.

The Hong Kong Monetary Authority (HKMA), which is the supervisory authority for banks, requires banks to notify it immediately upon being aware of incidents with potentially significant impact on their business, customers, or reputation. This includes misconduct incidents under internal investigation that may adversely affect the bank's reputation.

In parallel, the HKMA is also implementing (in phases) reference check requirements for directors and key officers of banks, as well as representatives performing other securities or insurance-related activities. This aligns with MAS' own proposals to implement reference check requirements for persons in certain key positions.

Conclusion

The enhancements to the misconduct reporting requirements align with other initiatives to tackle the problem of "rolling bad apples", including MAS' separate proposals to mandate reference checks, which were consulted on in parallel.

FIs should treat 2026 as a transitional period and review their internal processes and procedures to align with the new requirements taking effect in 2027. This includes ensuring that monitoring and internal escalation processes are aligned with the expanded scope of misconduct and the full range of information that will eventually need to be submitted to MAS.

Hong Kong's FSTB and SFC conclude proposals to regulate virtual asset dealers and custodians, extend consultation exercise to include virtual asset advisers and asset managers

Introduction

On 24 December 2025, the Hong Kong Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission (SFC) jointly published two separate consultation conclusions – one regarding a proposed licensing regime for virtual asset (VA) dealers (VA Dealing Consultation Conclusions) and the other regarding a separate licensing regime for VA custodians.

These conclusions were issued in response to consultation papers published in June 2025 in respect of a proposed VA dealing licensing regime and a VA custody licensing regime.

VA dealers

The definition of VA dealing will be aligned with the scope of Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Cap. 571) (SFO) as part of the "same activity, same risks, same regulation" principle. This will cover a wide range of VA dealing activities, ranging from simple VA-VA or VA-fiat conversions to more complex brokerage and block trading activities, and also margin trading in VAs. Dealing activities relating to tokenised securities or derivatives and structured products will continue to be subject to existing requirements for dealing in securities, futures contracts, or OTC derivative products (as the case may be).

On applicable exemptions, the FSTB and SFC noted that the majority of respondents advocated for alignment with Type 1 regulated activity. However, this is still being considered and there is still a possibility that the eventual legislative amendments to introduce VA dealing licensing requirements may not include every exemption currently available for Type 1 regulated activity. Exemptions which are being considered include the following:

a. Transactions conducted through SFC-regulated dealers (i.e., the equivalent of the "chaperone" exemption under the securities dealing regime)

b. Transactions conducted as principal

c. Intra-group transactions

d. Transactions using VAs as payment for goods and services

e. Distribution of VAs generated as rewards for ledger maintenance or transaction validation

f. Distribution of VAs by VA issuers only through SFC-regulated dealers, or only to professional investors

g. Carve-outs for certain licensed entities (e.g., stablecoin issuers and VA asset managers)

On regulatory requirements, the following points were made:

a. The SFC is still considering the extent to which licensed VA dealers will be allowed to deal with client VAs via unlicensed exchanges or liquidity providers. Currently, intermediaries are required to partner with SFC-licensed VA trading platforms (VATPs) or licensed banks which meet the SFC's VA custody requirements, due to the risk that overseas platforms are not subject to comparable regulatory standards.

b. Licensed VA dealers will be required to use only Hong Kong-licensed VA custodians (and not those regulated overseas) to safeguard client VAs. Other custody-related requirements are still being considered with a view to the variety of VA dealing business models in the market.

c. Licensed VA dealers will be subject to the same financial resources requirements as SFC-licensed corporations for Type 1 regulated activity (dealing in securities).

VA custodians

The definition of VA custody will cover the safekeeping of any instrument enabling the transfer of VAs for any person. This will capture entities which safekeep private keys, but not trustees or fund managers which delegate the VA custody function to a third-party custodian. The definition is technology neutral and does not depend on the use of any specific decentralised model or technological service – instead, the substance of the service is key. Custody of tokenised securities will not be in scope.

The determining factor would be whether a person can unilaterally transfer its clients' VAs – for example, this would capture multi-party computation (MPC) service providers whose clients cannot unilaterally transfer assets (e.g., if they require a recovery kit from the MPC service provider or the MPC service provider to play a role in reconstructing the private key), but not those whose clients can do so without their support in any form. A staking service provider which has the ability to transfer client VAs will be caught, but a non-custodial wallet provider which does not have this ability will be out of scope.

On applicable exemptions, the SFC has stated that given the definition, entities which do not safekeep private keys or similar instruments will not require an express exemption. Other exemptions being considered include:

a. Allowing PE/VC fund managers to self-custodise tokens issued by new projects which they are invested in, up to a limited threshold, given the difficulty of obtaining support from established VA custodians during the initial stages after launch.

b. Exempting companies which only custodise VAs for their group companies, regardless of whether fees are charged.

c. Exempting legal and accounting professionals holding back-ups of private keys or similar instruments for their clients or appointed by a court to administer VAs.

d. Exempting licensed stablecoin issuers custodising only stablecoins that they issue.

On regulatory requirements, the following points were made:

a. Overseas group entities which support licensed VA custodians (e.g., through shared resources and infrastructure) do not need to be separately licensed, provided the licensed VA custodian retains the ability to unilaterally and independently transfer client VAs, and such overseas entities do not market themselves as being licensed by the SFC.

b. Individuals who are involved in core custody functions (including senior management personnel, personnel with direct access to private keys or the authority to execute VA transfers, or personnel who participate in multi-signature schemes or have access to private key generation, storage, or recovery systems) will need to be appointed as responsible officers, managers-in-charge, or other regulatory function holders, and meet fit and proper requirements.

c. Licensed VA custodians will be permitted to offer staking services subject to safeguards similar to those imposed on licensed VATPs. These safeguards are being reviewed as custody technologies continue to evolve.

d. Licensed VA custodians will be subject to AML/CFT due diligence requirements in determining the types of VAs they provide custody services for. This will be aligned with existing requirements for licensed VATPs.

e. Licensed VA custodians will be subject to the same financial resources requirements as SFC-licensed corporations for Type 13 regulated activity (providing depositary services for a relevant collective investment scheme).

f. The SFC will consider various regulatory requirements proposed by respondents, including hot-cold wallet storage, insurance coverage, private key management controls, audits, and business continuity and disaster recovery.

VA advisers and asset managers

The VA Dealing Consultation Conclusions were accompanied by a further consultation to extend separate licensing regimes for VA advisers and asset managers. This aligns with the "same activity, same risks, same regulation" principle by tracking the existing regulatory regimes for Type 1 (dealing in securities), Type 4 (advising on securities), and Type 9 (asset management) regulated activities.

The definition of a VA advisory service will be aligned with Type 4 regulated activity (advising on securities), covering the giving of advice or the issuance of analyses or reports on the acquisition or disposal of VAs. The applicable exemptions will also be similar, covering solely advising wholly owned group companies, acts which are wholly incidental to licensed VA dealing or fund management, acts by solicitors, counsel, certified public accountants, or registered trust companies which are incidental to their duties, or acts conducted through a generally available publication or broadcast.

Regulatory requirements for licensed VA advisers are also expected to be broadly similar to those applicable to Type 4 licensed corporations, including AML/CFT, financial resources, knowledge and experience, reporting and disclosure, and investor protection safeguards (i.e., client knowledge assessment, training and suitability, as well as preventing conflicts of interest).

Likewise, the definition of VA management will be aligned with Type 9 regulated activity (asset management) and will refer to providing the service of managing a portfolio of VAs for another person. Please note that the licensing requirement applies regardless of the amount of VAs involved, and even firms which invest in a small or de minimis amount of VAs will be caught. The applicable exemptions will also be similar, covering services to wholly owned group companies, acts which are wholly incidental to licensed VA dealing, or acts by solicitors, counsel, certified public accountants, or registered trust companies which are incidental to their duties.

Regulatory requirements for licensed VA asset managers are also expected to be broadly similar to those applicable to Type 9 licensed corporations. The SFC is considering whether licensed VA asset managers should be restricted to safekeeping VAs under management only with licensed VA custodians, or whether they should be permitted to appoint any custodian (including those which are unlicensed or regulated overseas).

As was the case for VA dealers and custodians, pre-existing VA advisers and asset managers will not be provided with any deeming arrangement, and will be required to obtain a licence once the regimes commence.

Next steps

The further consultation for VA advisers and asset managers will end on 23 January 2026. Once the FSTB and SFC receive feedback, the legislative proposals to implement the above licensing regimes will be finalised, and the relevant bill is expected to be introduced to the Legislative Council sometime in 2026.

Conclusion

The overall direction set by the FSTB and SFC is to align the new VA licensing regimes with existing regimes which cover the traditional securities market, building upon the existing regime for licensed VATPs introduced just a few years ago. This is likely to improve clarity and ease of implementation for affected industry participants, and position Hong Kong optimally as a trusted and leading VA hub for a wide range of products and services.

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