



APAC Funds FinReg Newsletter

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ReedSmith

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Welcome

First quarter 2026 edition

Welcome to the eighth edition of Reed Smith's quarterly Asia Pacific funds and financial regulatory newsletter.

This edition covers a range of timely topics, beginning with a detailed analysis of responses to the Middle East conflict by Singapore and Gulf regulators. Next, we delve deeper into the Monetary Authority of Singapore's (MAS) proposed enhancements to third-party and operational risk management requirements for financial institutions, as well as the publication of an AI risk management toolkit for the financial services sector.

We also discuss MAS's proposed amendments to the Securities and Futures Act to facilitate dual listings on the Singapore Exchange's Global Listing Board and explore Hong Kong's planned enhancements to its preferential tax regimes for funds and family offices.

Finally, we examine recent enforcement trends, cross-border regulatory developments, and practical considerations for compliance teams operating in the Asia Pacific region.

In focus



Introduction

Since the outbreak of the Iran war on 28 February 2026, shipping through the Strait of Hormuz has been severely constrained. Further, the ongoing Middle East conflict has propelled global crude prices to levels not seen in years.

Singapore's response

Ongoing supply disruptions have translated into spikes in Singapore's energy import prices of crude oil, natural gas, and fuel, increasing electricity, gas, and transport-related inflationary pressures in the coming months.

Against this backdrop, MAS resolved at the April policy review to increase slightly the rate of appreciation of the Singapore dollar nominal effective exchange rate (S\$NEER) policy band, with no change to its width or the level at which it was centred. MAS has affirmed that it is well-positioned to act decisively should fresh risks to medium-term price stability emerge and will continue to closely monitor external economic developments. MAS also stands ready to implement measures to curb excessive volatility in the S\$NEER.

The Singapore government has also moved swiftly to cushion the domestic economy from the most acute effects of the Middle East conflict. On 7 April 2026, it announced a support package that brought forward the disbursement of transfers

already announced in Budget 2026 and added a further S\$1 billion in spending. The package directed support to the segments of the economy most susceptible to energy shocks, including the transportation sector and platform workers. An existing energy efficiency grant was extended to all economic sectors to encourage the conservation of energy resources.

Lastly, the government has indicated that further budgetary contingency plans remain in development should circumstances deteriorate.

Hong Kong's response

The chief executive of Hong Kong has established the Inter-departmental Task Force on Monitoring Fuel Supply, charged with monitoring geopolitical changes, overseeing fuel supply and pricing, safeguarding Hong Kong's energy security, and assessing the impact of oil price fluctuations on various industries.

From 1 April 2026, the Environment and Ecology Bureau (EEB) began publishing weekly data on local retail fuel prices alongside international benchmark prices to improve market transparency. Additionally, the Competition Commission has engaged directly with fuel companies on fair competition obligations and will continue monitoring the market for signs of anti-competitive behaviour.

In response to heightened geopolitical risks stemming from the Middle East conflict, both the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) have intensified their oversight¹ of local financial markets. The HKMA has ramped up stress testing and engagement with banks, which have in turn strengthened their own risk monitoring and contingency planning, though overall exposure of Hong Kong banks to the Middle East remains minimal and capital and liquidity levels continue to comfortably exceed international standards.

Similarly, the SFC has been closely monitoring market activity and the positions of major investment banks and hedge funds, with no significant risks identified to date. Both regulators have affirmed their commitment to closely monitor market changes in order to maintain the stability of Hong Kong's monetary and financial markets.

UAE's response

The UAE's Central Bank (CBUAE) has responded to regional geopolitical pressures with a series of measures designed to demonstrate and reinforce the resilience of the UAE's financial system. On 5 March 2026, the CBUAE governor publicly affirmed² the stability of the banking, financial, and insurance sectors, citing strong fundamentals, including a capital adequacy ratio of 17%, a liquidity coverage ratio exceeding 146.6%, and total sector assets exceeding AED 5.42 trillion.

This was followed in mid-March by the approval of a comprehensive Financial Institution Resilience Package (FIRP), backed by AED 1 trillion³ in CBUAE assets, spanning five areas: monetary policy support, liquidity and funding relief, capital buffer relaxation, greater flexibility in credit risk classification, and continued financing support.

Free-zone regulators have reinforced the same direction of travel.

Dubai International Financial Centre

On 9 April 2026, the Dubai Financial Services Authority (DFSA) announced a package⁴ of temporary regulatory relief measures to support firms operating within the Dubai International Financial Centre (DIFC) during the current exceptional environment.

1 <https://www.info.gov.hk/gia/general/202603/18/P2026031800337.htm>

2 <https://www.wam.ae/en/article/bz1ufmy-uae-banking-sector-resilient-well-positioned>

3 <https://www.wam.ae/en/article/bz8znmj-cbuae-board-reviews-strength-resilience-uae%E2%80%99s>

4 <https://www.dfsa.ae/news/dfs-a-announces-temporary-regulatory-relief-measures-support-difc-financial-services-community>



The measures provide targeted flexibility across four areas: authorisation and licensing timelines, governance and staffing arrangements, regulatory reporting deadlines, and implementation timelines for selected regulatory initiatives. The relief is designed to ease operational pressures temporarily while preserving the DFSA's core regulatory standards, which it emphasised remain fully intact. All measures are intended to be risk-based, proportionate, and time-limited, applied according to the nature and scale of individual firms.

The DFSA has stated that it will continue active supervisory engagement and monitor conditions closely, with a view to providing further assistance if needed, including support for firms in returning to normal trading conditions.

Abu Dhabi Global Market

The Abu Dhabi Global Market's (ADGM) Financial Services Regulatory Authority (FSRA) issued "Dear SEO letters"⁵ to FSRA authorised firms on 2 March 2026 and 20 April 2026, requiring them to notify it of any material developments impacting operations, financial position, or their ability to meet regulatory obligations. The FSRA confirmed that anti-money laundering and counter-terrorist financing standards and outsourcing requirements remain unchanged.

On capital relief, firms facing pressure are encouraged to engage early, with assessments conducted on a forward-

looking, case-by-case basis. The letters also clarified that there is no concept of a licence pause, though existing tools such as licensing variations or restrictions may be considered where necessary.

The FSRA also reaffirmed its commitment to a pragmatic, proportionate, and constructive supervisory approach, encouraging firms to maintain clear audit trails and to engage early with their supervisory contacts where questions arise.

Saudi Arabia's response

Saudi Arabia's response is less crisis-specific but no less relevant. The Saudi Central Bank (SAMA) has continued to emphasise banking sector resilience, with prudential ratios above regulatory thresholds. Notably, SAMA announced in May 2025 that the Countercyclical Capital Buffer (CCyB) will rise from 0% to 1% of risk-weighted assets,⁶ with all banks and financial institutions required to comply from 25 May 2026. Whilst not a conflict-specific measure, the CCyB increase strengthens the banking system's resilience during a period of elevated geopolitical risk and is expected to promote more conservative capital management in the near term.

The Capital Market Authority (CMA) has continued with market-opening and investor-protection reforms rather than conflict-specific restrictions. Effective 1 February 2026, the CMA implemented landmark amendments to the Rules for Foreign Investment in Securities, opening the Saudi

5 <https://www.adgm.com/operating-in-adgm/additional-obligations-of-financial-services-entities/supervision/circulars#2026>

6 <https://rulebook.sama.gov.sa/en/update-countercyclical-capital-buffer-ccyb-rate>



capital market to all categories of foreign investors for direct investment. The reforms eliminate the Qualified Foreign Investor (QFI) construct and remove the swap-agreement framework, replacing these with a unified regime for direct foreign participation, subject to continuing foreign ownership limits (10% per non-resident foreign investor, 49% aggregate). The CMA has also approved controls on real estate ownership by listed companies, investment funds, and special purpose entities, including in Makkah and Madinah, and has publicly indicated that the foreign ownership limits will be reviewed further in 2026.

On 2 March 2026, the board of the CMA issued the Instructions of Simplified Investment Funds, establishing a new regulatory framework for the formation and operation of Simplified Investment Funds in Saudi Arabia.

The main differences between an Investment Fund and a Simplified Investment Fund are as follows:

- Simplified Investment Funds can only be offered through a private placement.
- Units in Simplified Investment Funds can only be offered to institutional clients.
- Ownership of fund units may only be transferred in the secondary market to other institutional clients, but the CMA has discretionary authority to approve private offerings to other investor categories in certain instances and subject to any additional requirements or conditions imposed by the CMA.

The Instructions of Simplified Investment Funds provide flexibility in agreeing specific and tailored contractual provisions between the fund manager and investors/unitholders, which is an important departure from the regulatory framework under the Investment Fund Regulations, which requires the CMA to review a fund's terms and conditions in detail to ensure compliance with the Investment Fund Regulations.

Conclusion

Energy supply disruptions arising from the Iran war have prompted swift regulatory and policy responses across Singapore, Hong Kong, and the Gulf region.

Taken together, the responses across these jurisdictions reflect a broadly consistent approach that prioritises financial stability and protects the most vulnerable sectors of the economy while maintaining regulatory standards and offering proportionate, time-limited operational flexibility where appropriate.



Regulatory updates

Singapore

MAS proposes enhanced risk management requirements for financial institutions

Background

The Monetary Authority of Singapore (MAS) published two consultation papers on 6 March 2026 on risk management requirements for financial institutions (FIs), with feedback due by 20 April 2026:

(a) The [Consultation Paper on Proposed Guidelines on Third-Party Risk Management](#) (the TPRM Consultation Paper)

(b) The [Consultation Paper on Updated Guidelines on Operational Risk Management](#) (the ORM Consultation Paper)

In the TPRM Consultation Paper, MAS proposes to introduce new Guidelines on Third-Party Risk Management (the TPRM Guidelines), which will supersede the [Guidelines on Outsourcing \(Banks\)](#) and [Guidelines on Outsourcing \(Financial Institutions other than Banks\)](#) (collectively, the Current Outsourcing Guidelines) and extend outsourcing requirements to all third-party arrangements, subject to limited exceptions. Banks and merchant banks will remain subject to existing notices, which impose legally binding requirements relating to their management of outsourced services.

In the ORM Consultation Paper, MAS proposes to replace the existing [Guidelines on Risk Management Practices – Operational Risk](#) (the Current ORM Guidelines) with updated Guidelines on Operational Risk Management (the Updated

ORM Guidelines) containing additional requirements on board and senior management responsibility, change management, and public disclosures, among others.

Third-party risk management – Scope of third-party arrangements

The TPRM Guidelines regulate “third-party arrangements”, which covers any arrangement between an FI and a service provider for the provision of services to the FI, including services provided by intragroup entities but excluding services provided by directors or employees.

Services which are exempt from the third-party risk management (TPRM) requirements (but must still be covered by business continuity and incident response plans) include:

(a) Financial market infrastructures (e.g., clearing houses, trade repositories, central securities depositories, systemically important payment systems, and the SWIFT network)

(b) Utilities (e.g., telcos and electricity providers)

(c) Services which are not for the conduct of any financial business and where the service provider does not receive, handle, or access confidential or customer information (e.g., cleaning and pantry services)

The TPRM Guidelines will apply to a broader range of services than the scope of outsourcing arrangements covered by the Current Outsourcing Guidelines, which broadly include services which an FI is able to perform itself and which are integral to its financial business.





Third-party risk management – Revisions to existing outsourcing requirements

The TPRM Guidelines cover topics similar to those in the existing outsourcing requirements. However, MAS has also modified the language in the Current Outsourcing Guidelines to better reflect its supervisory expectations. Key updates include the following:

(a) Requiring an FI that is subject to consolidated supervision by MAS to include its branches and subsidiaries in its implementation of the TPRM Guidelines. The same applies where an FI is an owner of critical information infrastructure.

(b) Reframing certain existing requirements within the three concepts of “governance”, “risk management”, and “strategy”, and refining MAS’s expectations relating to those requirements:

(i) “Governance” encompasses the responsibilities of the board and senior management to maintain oversight, manage risks, and implement the risk management framework.

(ii) “Risk management” encompasses an FI’s evaluation of risks arising from the arrangement, including identifying the role of third parties within the overall business strategy and objectives, performing due diligence, assessing the third party’s ability to meet standards, and assessing the impact on the FI’s overall risk profile.

(iii) “Strategy” encompasses new requirements, such as assessing the continued relevance of third-party arrangements to the FI, performing cost-benefit analyses of relying on third parties, assessing the implications for the FI’s safety and soundness, defining the FI’s risk appetite, and assessing conditions which would trigger an exit from the third-party arrangement.

(c) Reframing other existing requirements within the context of the life cycle of a third-party arrangement, and refining MAS’s expectations relating to those requirements:

(i) FIs must perform risk assessments when planning to enter into a third-party arrangement, or if there are major changes impacting the arrangement, among other circumstances. FIs should also assess the substitutability of the services to be provided and whether their controls are adequate to manage the risks.

(ii) Due diligence should be performed prior to entering into, renegotiating, or renewing third-party arrangements, considering aspects such as the service provider’s financial and business viability, its ability to deliver the service within the expected service levels, and its governance and risk management controls. The TPRM Guidelines set out new guidance not previously covered, including using on-site reviews, enlisting subject-matter experts for technical elements, conducting checks on the service provider’s staff, and addressing concentration risk.

(d) Enhancements to existing monitoring and control requirements, including reviewing third parties' business continuity and disaster recovery plans and testing, performing due diligence on a periodic basis, and remediating any identified issues.

Other outsourcing topics (e.g., register of arrangements, contractual terms, notification of adverse developments, confidentiality and security, audit and inspection, and subcontracting) remain covered, although MAS has proposed changes to the language to provide more comprehensive guidance on its supervisory expectations.

Operational risk management – New requirements

The Current ORM Guidelines set out MAS's expectations for an FI's operational risk management (ORM) framework at a very high level, including expectations on the monitoring and reporting of operational risks. The Updated ORM Guidelines will build on MAS's existing expectations and incorporate the Basel Committee on Banking Supervision's [Revised Principles for the Sound Management of Operational Risk](#). Key updates include the following:

(a) Requiring an FI that is subject to consolidated supervision by MAS to include its branches and subsidiaries in its implementation of the Updated ORM Guidelines. The same applies if an FI is an owner of critical information infrastructure.

(b) Additional details on what an ORM framework should include, such as governance structures, clearly defined risk appetite and tolerance, taxonomy of operational risk terms, and other internal policies, procedures, and controls.

(c) Defining a "three lines of defence model" for operational risk, comprising (i) business units, (ii) an independent ORM function, and (iii) independent assurance or audit. This is similar to the expectation for managing anti-money laundering and countering the financing of terrorism risk.

(d) Additional guidance on board and senior management responsibilities.

(e) Requiring an ORM process, which includes identifying and assessing operational risks, selecting and implementing risk treatment options, and monitoring and reporting operational risks.

(f) Requiring a change management process to identify and assess additional operational risks arising from planned operational changes, review and approve these changes pre-implementation, and monitor the changes post-implementation.

(g) Requiring domestic systemically important banks (DSIBs) and domestic systemically important insurers (DSIIs) to publicly disclose their operational risk exposures (whilst ensuring that operational risk is not created through the

disclosures) and to put in place a formal disclosure policy. MAS has in parallel proposed to amend the [Guidelines on Risk Management Practices – Internal Controls](#) to require DSIBs and DSIIs to publicly disclose their code of conduct.

Transition period

MAS is proposing to implement the new requirements six months after the publication of the new guidelines. No date range has been proposed for publication of the new guidelines, but we expect them to be released alongside MAS's responses to the TPRM and ORM Consultation Papers, which has been forthcoming sometime after 20 April 2026, once MAS has collected and analysed all feedback received prior to the submission deadline.

Conclusion

The TPRM and ORM Consultation Papers represent a significant uplift to the existing requirements for outsourcing arrangements and the management of operational risks. Although MAS guidelines should be implemented on a risk-proportionate basis, compliance by FIs remains crucial since this is relevant to MAS's assessment of their soundness and governance strength.

FIs should assess the gaps between their existing risk management frameworks and controls and the new requirements and take early steps to implement the necessary changes, given that a six-month transitional period may not be sufficient to put in place the necessary changes (e.g., negotiations with affiliates and external third parties on the TPRM requirements, and communications with internal stakeholders on the ORM requirements).



Consultation paper on proposed amendments to the Securities and Futures Act and regulations in relation to the Global Listing Board

In January 2026, MAS issued a consultation paper on proposed amendments to the Securities and Futures Act and draft regulations to facilitate dual listings on the Singapore Exchange's (SGX) new Global Listing Board for companies that wish to list in Singapore under a new SGX-Nasdaq dual listing bridge.

The proposals aim to minimise friction for issuers seeking concurrent initial public offerings (IPOs) in the United States and Singapore through the dual listing bridge by (a) streamlining prospectus disclosure requirements; (b) adjusting the prospectus registration timeline to enable alignment of IPO milestones across both jurisdictions; and (c) introducing safe harbours for Global Listing Board issuers covering forward-looking statements, share repurchases, and pre-determined trading plans.

MAS also proposes amendments applicable across all offerings, including permitting issuers to engage retail investors earlier in the IPO process and specifying that issuers of underlying instruments are required to register the prospectus instead of the depositary in relation to an offer of sponsored depositary receipts. Lastly, MAS has confirmed that it will retain full discretion to investigate and take action against breaches of disclosure requirements and market misconduct in Singapore, and that Singapore investors will retain their rights of recourse under the Securities and Futures Act.

MAS invited comments from financial institutions and other interested parties on the consultation paper, which closed for feedback on 8 February 2026.

MAS partners with industry to develop AI risk management toolkit for the financial services sector

In March 2026, MAS announced the successful conclusion of phase two of Project MindForge, culminating in the publication of an AI risk management toolkit for the financial services sector. Developed in collaboration with a consortium of 24 banks, insurers, capital market firms, and other industry partners, the toolkit provides financial institutions with resources for managing AI-related risks across traditional AI, generative AI, and emerging agentic AI technologies.

The toolkit features an operationalisation handbook that offers practical guidance on implementing AI risk management frameworks across four areas aligned with MAS's proposed Guidelines on AI Risk Management: scope and oversight, AI risk management, AI lifecycle management, and organisational enablers. The handbook is accompanied by a compilation of industry case studies documenting the experiences and lessons learned from financial institutions in deploying AI across different organisational contexts.

MAS continues to review responses to its earlier public consultation on the proposed Guidelines on AI Risk Management, and the handbook will be periodically updated to reflect evolving industry practices and MAS's supervisory expectations. MAS will also establish an AI risk management workgroup under its BuildFin.ai initiative, comprising MindForge consortium members and broader industry practitioners, to develop further implementation resources, facilitate knowledge sharing, and build capabilities for managing risks arising from newer technologies, including agentic AI.





Hong Kong

2026 strategic tax reforms

Following the 2025 Policy Address, which announced that certain refinements will be made to enhance the preferential tax regimes in Hong Kong to attract funds and family offices into Hong Kong, the Hong Kong government has issued a legislative proposal covering, amongst others, the following key measures:

Key proposals under the Unified Fund Tax Exemption Regime and Family Office Tax Exemption Regime

Key proposals under the Unified Fund Tax Exemption (UFTE) regime⁷ and Family Office Tax Exemption (FOTE)⁸ regime include:

Expansion of the scope of “qualifying investments”: Under the UFTE and FOTE regimes, “qualifying investments” are restricted to a narrow list of designated asset classes such as traditional securities and private company shares. It is

now proposed to expand such scope to cover (a) immovable property situated outside Hong Kong; (b) emission derivatives, emission allowances, and carbon credits; (c) insurance-linked securities; (d) equity interests in non-corporate private entities (such as business trusts, private trusts, partnerships, and limited liability companies); (e) loans (including private credit investments); (f) digital assets (but excluding a cryptographically secured digital representation which provides a holder with an interest in any underlying asset other than qualifying investments, in order to avoid tax abuse); (g) precious metals; and (h) specified commodities (i.e., those in connection with and incidental to the trading of over-the-counter derivative products or futures contracts).

Inclusion of “funds-of-one”: Currently, it is uncertain whether single-investor structures would fall within the statutory definition of a “fund”, which is required under the UFTE and FOTE regimes, due to a lack of pooling of contributions. It is proposed that this uncertainty be removed by expanding the definition of a fund to explicitly cover specific funds-of-one⁹ without requiring them to be managed by a “specified person”

⁷ The UFTE exempts certain funds operating in Hong Kong from profits tax on qualifying transactions.

⁸ The FOTE offers a 0% profits tax rate on qualifying investment income for family-owned vehicles managed by eligible single family offices in Hong Kong.

⁹ The fund-of-one has to be either (i) an arrangement with only one investor, where the value of qualifying investments (i.e., designated asset classes) under management is not less than HK\$240 million, with the investor not having any day-to-day control over the management of the property; or (ii) a fund with a governmental entity, central bank, or international organisation as its sole investor.

(i.e., a Type 9 (asset management) licence holder). Single family offices and ultra-high-net-worth families are expected to benefit from this tax clarification.

Removal of 5% “incidental transaction” cap: Currently, a fund may enjoy tax exemption on its profits from (a) transactions in qualifying investments and (b) transactions incidental to the carrying out of qualifying transactions (“incidental transactions”) but which are subject to a 5% cap. In order to provide more flexibility for funds (e.g., through interest income) from qualifying investments, the proposals would remove the 5% cap limit.

Relaxation of anti-round tripping provisions: To facilitate resident investors’ investment in funds, the excluded persons under the UFTE will be aligned with those under the FOTE regime, which specifically include certain natural persons and resident entities.

Key proposals under the Carried Interest Tax Exemption Regime

Key proposals under the Carried Interest Tax Exemption Regime (CITE)¹⁰ include:

Scrapping the certification requirement: Currently, in order to be eligible for the CITE, funds must go through a certification process with the Hong Kong Monetary Authority (HKMA), which is unduly onerous. It is proposed that the HKMA certification requirement be scrapped.

Removal of “hurdle rate” requirement: At present, the carried interest eligible for the CITE must be above a hurdle rate (i.e., a minimum return threshold), which is not often present for some start-up funds or other funds. To provide tax certainty, the reference to the hurdle rate will be removed.

Expansion of the scope of “qualifying payer”: Under the current regime, carried interest eligible for profits tax concession should be received from a “qualifying payer”, which includes a certified investment fund and the associated corporation or associated partnership of the certified fund. It is proposed that the coverage of “associate” be expanded so that entities within the same group (regardless of their legal forms) will be covered by the definition of “qualifying payer”.

Expansion of the scope of “qualifying investments”: Under the current regime, “qualifying investments” are limited to typical private equity investments. In order to allow fund managers of all types of tax-exempt funds and their

¹⁰ The CITE provides a 0% profits tax rate and a 100% salaries tax exclusion for eligible performance-linked returns (carried interest) received by fund managers and employees from providing investment management services to certified investment funds in Hong Kong.



employees to benefit under the CITE, the sources of eligible carried interest are proposed to specifically include (a) profits which are exempt from or not chargeable to tax in Hong Kong (whether under the UFTE or otherwise, i.e. including those under the expanded “qualifying investments” mentioned above); and (b) the fund’s other taxable profits.

Clarifications to “qualifying person” and “qualifying employees”: At present, a “qualifying person” can receive and accrue eligible carried interest from a “qualifying payer”, and eligible carried interest has to be paid through the qualifying person to its employees. It is now proposed that (a) “qualifying person” cover unlicensed fund managers (to align with the UFTE proposals); (b) the requirement to “pay through the qualifying person” be removed to accommodate more flexible distribution arrangements; (c) the tax exemption be extended to cases where carried interest is received by a personal

investment company on behalf of qualifying employees; and (d) individuals employed within the same group (regardless of their legal forms) of the qualifying person also qualify as “qualifying employees”.

The proposals seek to address many practical concerns of fund managers under the existing regimes and are expected to reinforce and enhance Hong Kong’s position as a leading asset and wealth management hub. The legislative proposal is expected to be introduced into the Legislative Council in the first half of 2026 and to take effect retroactively from the 2025-2026 year of assessment. Fund managers are encouraged to keep a close eye on developments in this area to take advantage of the tax exemption regimes.



Mainland China

Draft Financial Law of PRC released for public comment

On 20 March 2026, the Ministry of Justice, the People's Bank of China (PBC), the State Financial Regulatory Commission, the China Securities Regulatory Commission (CSRC), and the State Administration of Foreign Exchange jointly released the Draft Financial Law of the People's Republic of China for public comment.

As the first fundamental law governing the financial sector, the Financial Law provides unified regulations on fundamental, overarching, and policy-oriented issues in the financial sector. The draft mainly covers the following: (a) clarifying the direction and overall requirements of financial work; (b) establishing a modern central bank system; (c) regulating the conduct and activities of financial institutions; (d) enhancing the standardisation of financial products and services; (e) optimising the functions of the financial market system; (f) comprehensively strengthening financial supervision; (g) improving financial risk disposal mechanisms; (h) coordinating high-quality financial development and security; and (i) strengthening legal liability.

CSRC releases the Measures for the Supervision and Administration of Information Disclosure by Private Investment Funds

The Measures for the Supervision and Administration of Information Disclosure by Private Investment Funds, issued by the CSRC on 24 February 2026, apply to information disclosure to investors by private fund managers and custodians, as well

as disclosure by sales institutions acting as agents. Key points include: (a) mandatory look-through disclosure requiring transparency on underlying assets when funds invest through nested structures; (b) expanded duty-bearers to now explicitly include fund managers, custodians, and distribution/sales institutions, with fund managers, in addition to their legal responsibility as the primary party obligated to disclose information, responsible for coordinating and managing information disclosure by custodians and sales institutions to ensure completeness and consistency; (c) disclosure requirements as agreed in the contract, with private fund managers required to disclose private fund information to investors in accordance with the content, channels, methods, and frequency agreed in the fund contracts; (d) differentiated disclosure schedules distinguishing between securities funds and equity funds; and (e) enhanced penalties, with fines up to RMB 1 million or five times the illegal gains. The Measures take effect as of 1 September 2026.

Circular on Further Preventing Speculative Risks Related to Virtual Currency Transactions

The PBC, the Ministry of Industry and Information Technology, the Ministry of Public Security, and five other departments have jointly released Circular no. 237 on Further Preventing Speculative Risks Related to Virtual Currency Transactions. The Circular clarifies that virtual currencies do not have the same legal status as legal tender, and that business activities related to virtual currencies within the territory of China constitute illegal financial activities, which are strictly prohibited and will be banned by law. The Circular defines real-world asset tokenisation as activities involving the issuance and trading of tokens derived from asset rights using



cryptographic technology and stresses that real-world asset tokenisation activities within China, as well as the provision of related intermediary or information technology services, are suspected of constituting illegal financial activities such as the illegal issuance of tokenised securities, unauthorised public offering of securities, or illegal operation of securities and futures businesses, and are prohibited, except for relevant business activities based on specific financial infrastructure as permitted by the competent business authorities in accordance with laws and regulations. According to the Circular, financial institutions and internet enterprises are prohibited from providing accounts, clearing and settlement, custody, or marketing guidance or otherwise providing support for relevant businesses.

The CSRC subsequently issued the Regulatory Guidelines for the Overseas Issuance of Asset-Backed Securities Tokens for Domestic Assets.

PBC and seven other departments release the Administrative Measures for Special Anti-Money Laundering Preventive Measures

The Administrative Measures for Special Anti-Money Laundering Preventive Measures stipulate that any entity or individual must adopt special anti-money laundering preventive measures in accordance with the law, against individuals and organisations appearing on the following lists: (a) a list of terrorist organisations and personnel identified by the National Anti-Terrorism Leading Group and announced by its office; (b) a list of organisations and individuals subject to targeted financial sanctions set out in notices issued by the Ministry of Foreign Affairs regarding the implementation of UN Security Council resolutions; and (c) a list of organisations and individuals that present material money laundering risks and may lead to serious consequences unless measures are taken, as determined by the PBC alone or in conjunction with relevant state organs, including (i) an immediate end to the provision of financial and other services, funds, and assets to listed persons, their agents, any organisations or individuals acting on their instructions, and any organisations under their direct or indirect control; (ii) the immediate restriction of the transfer of related funds and assets; and (iii) a prohibition on notifying the relevant parties in advance.

The Measures require financial institutions to establish internal control systems for special anti-money laundering measures, and to continuously monitor and promptly obtain the three relevant lists. Financial institutions must, when establishing business relationships, providing one-off services, or updating customer information, or upon the publication or amendment of the lists, conduct checks on all customers, their transaction counterparties, and all business activities, and must immediately take the appropriate measures and report to the competent authority if any relevant party, their





agent, or any organisation acting on their instructions or under their control is identified on the lists. Financial institutions and responsible personnel that fail to establish internal control systems or fulfil their obligations will be subject to penalties imposed by the PBC. CSRC seeks comments on the draft Measures for Supervision and Administration of Derivatives Trading

To implement the Futures and Derivatives Law of the PRC and promote the standardised and sound development of the derivatives market in China, the CSRC drafted the Measures for Supervision and Administration of Derivatives Trading (for Trial Implementation) for public consultation until 16 February 2026. The key provisions of the draft include: (a) clarifying the scope of application and stipulating that the Measures apply to derivatives trading and related activities regulated by the CSRC; (b) defining the role of derivatives in managing risks, allocating resources, and serving the real economy, as well as the basic principles for participating in derivatives trading activities; (c) establishing the conditions and procedures for the development of derivatives contracts; (d) clarifying the basic trading rules for various types of derivatives contracts; (e) establishing a performance assurance mechanism; (f) defining trader suitability standards; (g) strengthening the monitoring and supervision of derivatives and cross-market regulation; (h) setting out prohibitions and restrictions on derivatives trading; (i) strengthening the supervision of derivatives operating institutions; (j) strengthening the supervision of derivatives market infrastructure, including derivatives trading venues, derivatives clearing institutions, and derivatives transaction reporting databases; and (k) clarifying supervisory measures and legal liabilities.

CSRC releases the draft Regulatory Rules for Board Secretaries of Listed Companies

The draft Regulatory Rules for Board Secretaries of Listed Companies represent the first dedicated regulatory framework specifically targeting the role of company secretaries in China's capital markets. They establish comprehensive standards covering qualification requirements, core duties, performance guarantees, accountability mechanisms, and supervisory procedures for board secretaries. Notably, the draft specifies that candidates must possess either five years of relevant experience in finance, accounting, audit, or legal compliance, or hold a CPA or legal professional qualification with equivalent experience. It emphasises the core responsibilities relating to information disclosure, corporate governance, and investor relations, while requiring listed companies to provide the necessary resources and "information rights" to ensure board secretaries can perform their duties independently and effectively.

The draft strengthens accountability and protective mechanisms. It explicitly outlines legal liabilities for misconduct – such as failing to report internal violations or participating in financial fraud – while offering board secretaries direct reporting channels to regulators when they face obstruction in performing their duties. Upon formal implementation, these rules will supersede existing exchange-level regulations, creating a unified national standard as part of the CSRC's initiative to enhance the overall quality of listed companies' information transparency and compliance.

Enforcement actions

Singapore

Prohibition orders for money laundering

MAS issued prohibition orders of 16 years and seven years respectively against two former relationship managers who were convicted of charges connected to a major money laundering case.

The first individual was convicted of four charges relating to forgery, money laundering, and obstructing the course of justice. The second individual was convicted of using a forged document to deceive a financial institution. Both individuals were sentenced to imprisonment under the Penal Code and the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act.

Both individuals are prohibited from carrying on any MAS-regulated or authorised activities, participating in the management of any financial institution, and acting as a director, partner, or manager of any financial institution. They are also prohibited from becoming, or increasing their interest as, a substantial shareholder of any financial institution that is a corporation.

Two-year prohibition order for forgery

MAS issued a two-year prohibition order against a former representative of a financial adviser for forgery and abetting unauthorised access to computer material. The individual shared his system login credentials with a third party without authorisation, enabling that party to access his profile on two occasions. This was done to register insurance policies sold by another individual under his name, a practice prohibited by his employer. Separately, the individual forged the signatures of two customers on their insurance application forms. Rather than meeting the customers to clarify documentation errors and obtain their consent to corrections, he forged their signatures for his own convenience.

The individual was convicted of one count of abetment of unauthorised access to computer material and one count of forgery. He was sentenced to imprisonment and ordered to pay a fine.

Seven-year prohibition order against individual for fraud

MAS issued a seven-year prohibition order against a former fund manager and director for conduct amounting to fraud against investors. The individual intentionally sold two over-the-counter (OTC) bonds from a fund with majority external investor ownership to a separate fund in which he held a majority stake. He did so at prices he knew to be below available market quotes. This caused losses of approximately US\$342,500 to investors in the first fund. He subsequently resold both bonds to the market at a profit.

The individual was convicted of criminal charges for engaging in acts which were likely to defraud investors of the first fund under the Securities and Futures Act (SFA) and sentenced to imprisonment. He is prohibited from carrying on MAS-regulated or authorised activities and from participating in the management, or acting as a director, partner, or manager, of any financial institution. He is also prohibited from performing any function involving the handling of funds or assets.

Civil penalty and enforcement actions for breaches under the SFA and SFR

MAS issued a composition fine of S\$70,000 against a capital markets services licence holder for multiple breaches under the SFA and the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR).

The firm failed to maintain an adequate risk management framework to identify, address, and monitor risks associated with its managed assets. It also failed to mitigate or disclose conflicts of interest to investors across three of its managed funds; in one instance, directors participated in decisions to finance entities in which they held indirect interests without disclosing or mitigating those conflicts. Additionally, the firm permitted nine individuals to conduct regulated activities on its behalf without appointing them as representatives.

The firm no longer holds a capital markets services licence. MAS separately issued a one-year prohibition order against the firm's CEO for failing to take all reasonable steps to ensure the firm's compliance with the SFR. MAS also issued a reprimand against the firm's chief risk officer and chief operating officer for failing to take all reasonable steps to ensure regulatory compliance.



Hong Kong

SFC freezes assets of suspected manipulators of company's shares

The Securities and Futures Commission (SFC) obtained an interim injunction from the Court of First Instance against four individuals suspected of manipulating the shares of a Main Board-listed company. The order restrains them from disposing of, dealing with, or removing from Hong Kong assets up to a value of approximately HK\$219 million. The order remains in effect pending the determination of the SFC's proceedings or further order of the court, and is intended to preserve funds available to satisfy any future court order, including compensation to affected investors.

The injunction forms part of a broader enforcement action relating to alleged ramp-and-dump market manipulation. Three of the four suspects are among 12 defendants in separate ongoing criminal proceedings, while the fourth is subject to an arrest warrant. Defendants face pending charges including conspiracy to defraud and money laundering.

SFC issues lifetime ban and fine for misconduct

The SFC issued a lifetime prohibition and a fine of HK\$17.4 million against a former licensed representative.

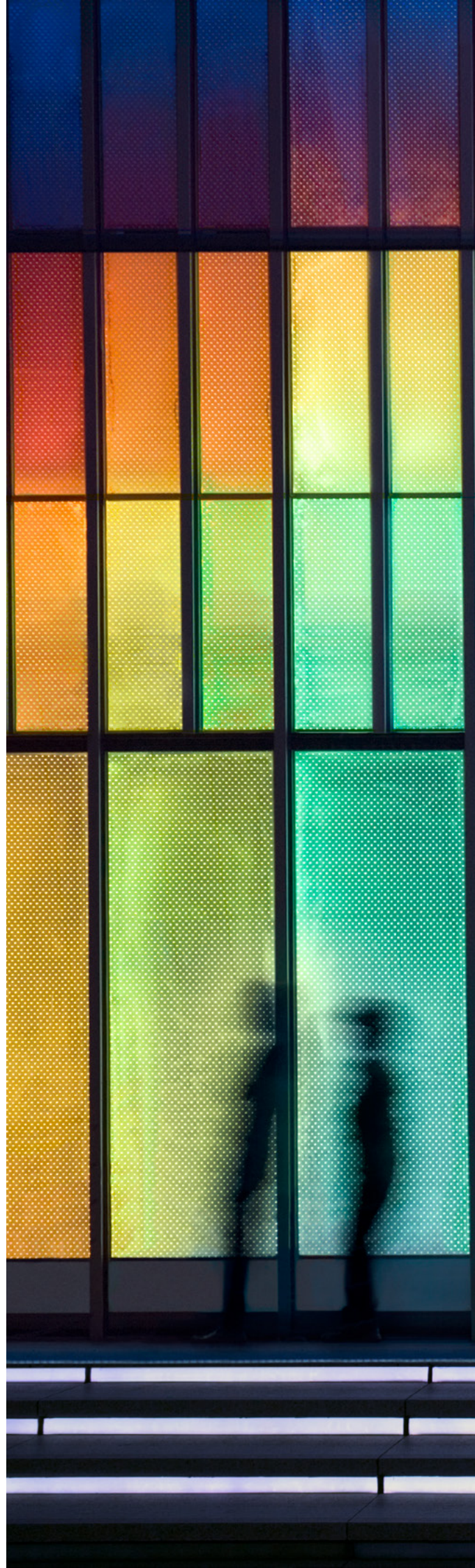
The individual, acting in his capacity as an investment analyst, caused a fund managed by his employer to extend five unsecured loans totalling HK\$22.5 million to a company under his control. In recommending these loans to his firm's investment committee, he failed to disclose his conflicts of interest arising from his involvement in the borrowing company, and failed to ensure fair treatment of the fund and its investors.

The SFC's investigation further revealed that the individual had established his employer firm, the fund, and the borrowing company together with associates, with all three entities effectively under his control. He subsequently caused a substantial portion of the loan proceeds to be transferred to himself and connected persons. Ultimately, the fund received only HK\$5.07 million in interest payments, while the individual and his connected persons retained HK\$17.4 million.

The SFC characterised his conduct as wilful and dishonest, constituting breaches of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the Code of Conduct) and the Fund Manager Code of Conduct. In determining sanctions, the SFC noted that excluding the individual from the industry was necessary to safeguard investors and uphold market integrity.

Trial dates set in securities fraud case

The SFC brought criminal proceedings against two individuals



allegedly involved in a securities fraud scheme involving illegal short selling in the shares of 28 Hong Kong-listed companies, in contravention of the Securities and Futures Ordinance. The case has been transferred from the Eastern Magistrates' Courts to the District Court, marking the first criminal prosecution for securities fraud involving illegal short selling to be heard at that level.

Both defendants were granted bail subject to conditions including a travel ban, surrender of travel documents, regular police reporting, cash bail, and residence requirements.

SFC sanctions an individual for dishonest conduct

The SFC prohibited a former responsible officer of a licensed securities firm from re-entering the industry for four and a half years and imposed a fine of HK\$1 million for violations of the Securities and Futures Ordinance.

The individual executed 25 matched trades in Hang Seng Index options between his employer's proprietary trading account and a securities trading account held in his wife's name at another brokerage. The trades were executed at prices favourable to his wife's account but disadvantageous to his employer's account, resulting in a notional benefit to his wife at his employer's expense. The SFC also noted that executing matched trades at prices outside prevailing bid-ask spreads could interfere with normal price formation and undermine market integrity.

The individual additionally concealed from his employer his beneficial interest in his wife's account, his ownership of two further securities trading accounts at another brokerage, and his personal trading activities conducted through those accounts. He repeatedly submitted false declarations to his employer stating that he held no accounts beyond those approved, thereby circumventing his employer's staff dealing policies and preventing it from monitoring his personal trading.

The SFC characterised his conduct as serious and dishonest. In determining sanctions, the SFC took into account his cooperation in resolving the matter and his otherwise clean disciplinary record.

SFC obtains compensation and disqualification orders against former executive director

The SFC obtained a Court of First Instance order requiring a former executive director of a listed company to pay HK\$4 million in compensation to the company for his role in transactions that caused it financial loss. He was also disqualified for five years from acting as a director, liquidator, receiver, or manager of, or being involved in the management of, any listed or unlisted corporation in Hong Kong, and was ordered to pay the SFC's legal costs. Separate proceedings

against six other former directors of the company remain ongoing.

Over a one-year period, the company and its subsidiaries entered into five transactions through which approximately RMB 2 billion was provided, purportedly as short-term financing, to entities held or controlled by the company's former chairman and substantial shareholder. The transactions were undertaken without proper shareholder approval or disclosure, causing the company losses of approximately RMB 84 million.

The individual admitted to breaching his duties in connection with two of those transactions and three related remittance authorisations, including failing to act in good faith, failing to act in the company's best interests, and failing to exercise independent judgment. He further failed to ensure timely disclosure of the company's auditors' concerns regarding the transactions and the company's ability to continue as a going concern, and failed to exercise reasonable care, skill, and diligence when investigating the transactions as a member of the independent board committee.

SFC issues lifetime ban over serious misconduct

The SFC issued a lifetime prohibition against a former licensed representative of a financial services group for serious misconduct.

Over a period of five years, the individual conducted unauthorised trades in a client's securities trading accounts and carried out online trading through those accounts without the client's knowledge or authorisation. He fabricated trading instructions purportedly from the client's email account and provided the client with forged account statements and portfolio reports, the majority of which materially overstated cash balances and net portfolio values.

He also forestalled the client's cash withdrawal from his accounts by falsely representing that a 3.94% annual interest rate was available on a three-month deposit of HK\$59 million, claiming the arrangement had already been made on the client's behalf and providing a forged certificate of deposit to support the fabrication.

The SFC characterised his conduct as blatantly dishonest and indicative of a pattern of deliberate deceit, constituting serious breaches of the Code of Conduct. In determining the sanction, the SFC took into account the persistence of the misconduct over five years and the egregious nature of the deception involved.

SFC obtains worldwide court orders to freeze suspects' assets in alleged insider dealing

The SFC obtained a worldwide interim injunction order from

the Court of First Instance against a former employee of Hong Kong's stock exchange operator and two of his relatives for alleged insider dealing in the shares of at least seven Hong Kong-listed companies. In a first-of-its-kind action, the SFC also commenced parallel proceedings in England and Wales, obtaining a further interim injunction from the High Court's Business and Property Courts to freeze the assets of two of the three suspects in that jurisdiction, given that all three had left Hong Kong and transferred assets overseas.

The SFC alleges that the former exchange employee exploited his position as an assistant vice president in the listing division to access confidential and price-sensitive information about listed companies prior to public announcements over a five-year period. He allegedly used this information to trade shares through accounts held by one of his relatives, either by procuring that individual to trade on his behalf or by counselling him to do so. That relative allegedly further disclosed the inside information to the third suspect, who subsequently traded in the relevant shares.

The Hong Kong and English court orders prohibit all three suspects from disposing of or diminishing the value of their assets in Hong Kong and overseas (including England and Wales), up to approximately HK\$3.7 million for the first two suspects and approximately HK\$600,000 for the third. Both orders remain in force pending scheduled court hearings.

SFC prosecutes retail trader for false trading

The SFC brought a successful criminal prosecution against a retail trader for false trading in the shares of six Hong Kong-listed companies. The Eastern Magistrates' Courts sentenced the individual to community service and ordered him to pay a fine of HK\$117,715, equivalent to the total profits derived from

his false trading activities, as well as the SFC's full investigation costs.

Over a two-year period, the individual made profits by artificially inflating share prices through scaffolding and wash trading, placing and cancelling orders at progressively increasing prices while trading between his own securities accounts as both buyer and seller. In sentencing, the court noted the gravity of the offences and considered imposing immediate imprisonment. A community service order was ultimately imposed following review of a probation officer's suitability report.

SFC obtains compensation and disqualification orders against former directors of a listed firm

The SFC obtained a Court of First Instance order requiring a former non-executive director and a former managing director of a listed company to pay HK\$57.5 million in compensation to the company for losses arising from the acquisition and subsequent disposal of a stake in a related entity. The two individuals were also disqualified from acting as directors or participating in the management of any corporation for eight years and six years respectively. Seven other former executive and independent non-executive directors were separately disqualified for periods ranging from one to two years. All nine individuals were ordered to pay the SFC's legal costs.

The SFC's proceedings concerned the company's acquisition of a stake in a connected entity and its disposal within a few months, which resulted in substantial losses to the company. The court found that all nine directors, regardless of whether they held executive or non-executive roles, bore the same legal responsibility for the management of the company's



affairs, including the responsibility to scrutinise proposals that could directly impact the interests of shareholders. The court determined that the company's business and affairs had been conducted in an oppressive manner involving defalcation, misfeasance, or other misconduct against the company or its members. The court further held that the disqualification periods were determined to reflect each individual's level of involvement and the severity of their respective misconduct.

SFC convicts two couples for securities fraud

The District Court convicted two married couples of securities fraud involving ramp-and-dump schemes promoted on social media following a SFC investigation. The two male defendants, who acted as the masterminds, were sentenced to imprisonment, while their wives were ordered to perform community service.

Over a period of three months, the two masterminds directed their wives to deceive an account executive at a brokerage on nine occasions by falsely representing ownership of shares in four Hong Kong-listed companies. Acting on information from social media tipsters, the defendants engaged in naked short selling, inducing the brokerage to place selling orders for shares they did not own. They sold the shares at artificially inflated prices and subsequently repurchased them at lower prices to close their short positions, generating illicit profits of HK\$3.3 million, exposing the brokerage to significant risk of losses, and undermining the integrity of the securities market. One of the male defendants was a former SFC-licensed representative at the material time. The SFC referred the case to the police for a joint investigation following the uncovering of evidence of the fraudulent activities.

SFC sanctions a licensed investment manager for fund management failures

The SFC reprimanded and fined a licensed investment manager HK\$9 million for multiple regulatory failures in managing six sub-funds of a Cayman-incorporated fund over a three-year period.

The firm's regulatory failures spanned five key areas. It failed to manage and disclose conflicts of interest arising from loans extended by itself or its director to four sub-funds. It did not conduct monthly reconciliations or regular valuations of sub-fund assets, nor did it appoint an independent auditor to audit their financial statements. It failed to implement adequate systems and controls for know-your-client and suitability assessment procedures, and neglected to maintain records demonstrating compliance with anti-money laundering and counter-terrorist financing regulations. It also misrepresented its regulatory obligations by incorrectly informing investors that they were exempt from suitability assessment requirements by virtue of their classification as professional investors.

The SFC found the firm's misconduct attributable to failures by its responsible officer, who also served as chief executive officer. The SFC further found the firm's director and manager-in-charge of various core functions to bear responsibility specifically for regulatory failures relating to the loans and anti-money laundering and counter-terrorist financing compliance.

In determining disciplinary sanctions, the SFC took into account, among other things, the firm's implementation of remedial measures following a limited SFC review, its cessation of regulated activities, and its otherwise clean disciplinary record.

SFC suspends former representative for unauthorised online trading in client account

The SFC suspended a former licensed representative of a Hong Kong brokerage for seven months for knowingly allowing and facilitating personal trades by an account executive from another brokerage in a client's securities account without the required authorisations.

Over a period of three years, the individual permitted a client's relative, who was an account executive at a separate brokerage firm, to operate and carry out personal trades in the client's account without obtaining the client's written authorisation or the written consent of the account executive's employer, in breach of her firm's internal policies and the Code of Conduct. During this period, the account executive conducted approximately 1,300 securities transactions with an aggregate value of HK\$670 million through the client's account without disclosing them to his own employer.

Her conduct exposed the client to potential losses from the unauthorised trading and exposed her firm to potential liability in the event the client disputed the trades. It also prevented her firm from discharging its obligations under the Code of Conduct, and enabled the account executive to circumvent his own employer's internal controls. In setting sanctions, the SFC took into account her cooperation in resolving the matter and her otherwise clean disciplinary record.

SFC suspends former representative for unauthorised online trading

The SFC suspended a former licensed representative of a Hong Kong brokerage for 27 months for conducting extensive personal trading through undisclosed securities accounts held in a relative's name, and for making repeated false declarations to conceal those activities from his employers.

The individual conducted approximately 1,300 securities transactions with an aggregate value of HK\$670 million through a securities account held in his relative's name at another brokerage, without disclosing his beneficial interest or



personal trading activities to his employer. He made multiple false declarations to his employer stating that he held no beneficial interest in any external securities accounts.

In a separate but related matter, the individual also conducted approximately 10,000 personal trades with an aggregate value of HK\$2.8 billion through a further securities account held in his relative's name at another brokerage where he was employed at the time, without obtaining the required approval. He had made false declarations to conceal his financial interest in and control over that account.

His conduct circumvented the staff dealing policies of both firms and prevented them from monitoring his personal trading activities. The SFC characterised his conduct as wilful and dishonest. In determining the sanction, the SFC took into account that his breaches spanned nearly 10 years, that the volume of trading was largely attributable to frequent day trading and short-term margin trading, his cooperation with the SFC, and his otherwise clean disciplinary record.

SFC obtains compensation order and disqualification orders against former directors and senior executives of a listed company

The SFC obtained Court of First Instance orders requiring three former directors and senior executives of a listed company to pay a total of HK\$595 million in compensation to the company for orchestrating and participating in fraudulent acquisition schemes. The three individuals were also disqualified from

directorship and management roles for 15 years, 12 years, and 12 years respectively, and were ordered to pay the SFC's legal costs. The ruling concluded the SFC's broader proceedings against the company's former directors and officers, with 10 additional former directors having been disqualified earlier for periods ranging from two and a half to 10 years.

The SFC's case centred on two fraudulent corporate acquisitions. In the first, the shadow director concealed his personal interests in the company's acquisition of a target purportedly holding forestry assets that did not in fact exist, causing the company a loss of HK\$347 million. In the second, the same individual masterminded the acquisition of a company purportedly owning grossly overvalued engineering technology, resulting in the misappropriation of HK\$248 million from the company. The former executive director and former chief financial officer and company secretary were each found to have played active or participatory roles in the acquisitions, in breach of their fiduciary duties.

The court ordered the shadow director to compensate the company HK\$347 million for the first acquisition, and ordered all three individuals to compensate the company HK\$248 million on a joint and several basis for the second acquisition.

SFC obtains disqualification order against former executive director of a listed company

The SFC obtained a Court of First Instance disqualification order against a former executive director of a Main Board-

listed company, prohibiting him for three years from acting as a director, liquidator, receiver, or manager of, or being involved in the management of, any listed or unlisted corporation in Hong Kong. He was also ordered to pay the SFC's legal costs.

The SFC found that a subsidiary of the company entered into two back-to-back fuel oil supply and sale transactions that were fictitious in nature, as both the customer and the supplier were controlled by the company or persons closely connected to it, and the supporting bills of lading were not genuine.

The individual admitted to breaching his duties and acting negligently in committing the subsidiary to those transactions and in approving payments totalling HK\$302 million from the company to its subsidiary purportedly in settlement of the fictitious supply transaction. The court found that a reasonably prudent director would have identified clear commercial irregularities in the transactions. The individual further approved the publication of the company's annual results and report, which contained false or misleading statements regarding the transactions. Separate proceedings against other former directors and officers of the company remain ongoing.

SFC freezes assets of suspected manipulators of listed company's shares

The SFC obtained an interim injunction order from the Court of First Instance against seven defendants in connection with alleged manipulation of the shares of a Hong Kong-listed company. Pursuant to the order, three of the seven defendants are prohibited from removing, disposing of, dealing with, or diminishing the value of their assets in Hong Kong, up to a value of HK\$85.2 million. The order is intended to ensure sufficient assets are available to meet any restoration orders the court may grant, and remains in effect pending the next hearing.

The action forms part of broader SFC legal proceedings against an alleged syndicate suspected of orchestrating a complex ramp-and-dump scheme in the company's shares. In parallel, criminal proceedings against four of the seven defendants are ongoing at the District Court.

SFC sanctions a former licensed intermediary for regulatory breaches

The SFC reprimanded and fined a licensed intermediary HK\$4 million for failures in distributing virtual asset (VA) funds and virtual asset-related products (collectively, VA Products) on its online trading platform over a period of more than four years.

The firm executed 1,446 transactions involving 32 VA Products, including 21 exchange-traded derivative products, for both

professional investors (PIs) and 130 retail clients. Under SFC guidance in effect at the material time, these products should only have been offered to PIs. The firm failed to assess whether clients had knowledge of investing in VA Products and did not provide them with sufficient information or warning statements specific to VAs.

The firm's failures stemmed in part from its reliance on group-level protocols established by its parent company to identify instruments with VA exposure. Deficiencies in those protocols meant that the 32 products were not identified as VA Products and were made available to all clients regardless of whether they were PIs. The firm did not realise the deficiencies until notified by its parent company. With respect to clients who traded the exchange-traded derivative VA Products, the SFC found that the firm also failed to make adequate enquiries to assess clients' knowledge of derivatives and classify them based on such knowledge.

In determining the sanction, the SFC took into account, among other things, the firm's self-reporting of its misconduct, its voluntary compensation of losses incurred by affected clients, its cooperation with the SFC, its cessation of regulated activities, and its otherwise clean disciplinary record.



Mainland China

Individuals penalised for insider trading and securities market manipulation

The administrative penalties published by the CSRC include several representative cases involving insider trading and securities market manipulation.

A company announced a plan to restructure its material assets. An individual named Wang had contact with insiders who had access to inside information and traded the company's securities through securities accounts held by herself and others before the company's public disclosure of the inside information. The timing of Wang's trading in the company's stocks was largely consistent with the period during which the inside information arose and closely coincided with the timing of her contact and communications with the insiders. She demonstrated a strong intention to trade during the sensitive period, and her trading behaviour was clearly abnormal, without any justifiable reason for the trading or any legitimate source of information. She made profits of more than RMB 510,000. These illegal gains were confiscated, and a fine of more than RMB 2.5 million was imposed.

Another individual was investigated by the CSRC for conduct including influencing the trading prices of related stocks by controlling and using several securities accounts through methods such as price pumping, spoofing, and locking limit-up prices. His illegal gains of more than RMB 12 million were confiscated, and a fine of more than RMB 25 million was imposed.



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