Reed Smith Asia-Pacific
funds & financial regulatory newsletter

First quarter 2025 edition

ReedSmith

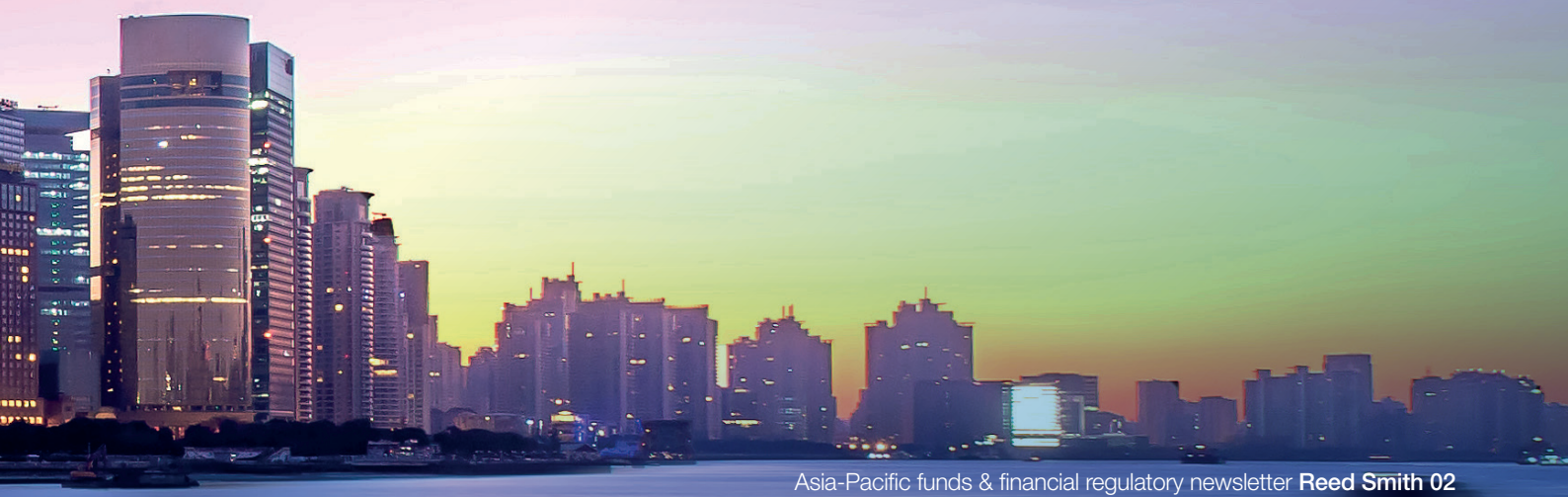
Contents

Welcome

First quarter 2025 edition

Welcome to the fourth edition of Reed Smith's quarterly Asia Pacific funds & financial regulatory newsletter. In this edition, we highlight key developments in the financial regulatory landscape, including regulatory changes and enforcement actions relevant to financial entities, investment advisers and funds across the region. We also delve into efforts by the Monetary Authority of Singapore to revitalise the equities capital markets in Singapore.

The new wave of United States tariffs is rattling global supply chains and leaving businesses scrambling to adapt. Stay ahead of the upheaval with real-time insights from our Trump 2.0 Tariff Tracker.



In focus

Singapore's equities market: A new dawn for capital raising and investing?

Singapore's economy has rebounded strongly from the pandemic, driven by robust domestic and external demand amid the global recovery. However, the city-state's equities market has lagged behind its global peers in terms of listings, liquidity and investor interest. To address these challenges and enhance the competitiveness of Singapore's capital market, the Monetary Authority of Singapore (MAS) has launched a comprehensive set of measures to revitalise the equities market and attract more quality issuers and investors. These developments have significant implications for issuers, fund managers and capital-raising prospects in Singapore.

MAS formed the Equities Market Review Group (Review Group) in August 2024, with the aim of strengthening the functioning and attractiveness of Singapore's equities market. The Review Group has adopted a multi-pronged strategy, comprising demand-focused measures, supply-focused measures and regulatory streamlining.

On the demand side, MAS has introduced the S$5 billion Equity Market Development Programme (EQDP), which will invest with selected fund managers who have capabilities to implement investment mandates with a strong focus on Singapore stocks. These strategies should be actively managed, invest in a range of companies and not just index component stocks, and over time draw in investments from other investors. The EQDP is expected to boost trading liquidity and investor participation in the local equities market. In addition, MAS has announced various tax incentives to direct more capital into local equities, such as tax exemptions for fund managers' qualifying income derived from funds investing substantially in Singapore-listed equities, and an adjustment to the Global Investor Programme (GIP) to require GIP applicants investing under the Family Office option to invest in equities listed on approved Singapore exchanges.

On the supply side, MAS has introduced tax rebates for new primary and secondary listings in Singapore, including fund manager listings, to defray part of the listing costs and encourage more issuers to tap the local market. The tax rebates complement the existing GEMS Listing Grant Scheme, which provides co-funding of eligible listing expenses for SGX Mainboard and Catalist listings. Furthermore, the government has continued to enhance support for the development of local enterprises to provide a pipeline of potential companies for listing, such as the new investment schemes announced at Budget 2025, which are administered by the Ministry of Trade and Industry and Enterprise Singapore.

To complement the demand and supply measures, MAS has also proposed a series of regulatory reforms to adopt a more pro-enterprise and disclosure-based regime, while maintaining high standards of corporate governance and robust enforcement. The key regulatory changes include:

- Consolidating listing suitability and prospectus disclosure review functions under Singapore Exchange Regulation (SGX RegCo), to provide prospective issuers with greater clarity on the listing process and timeline, as they only need to engage with one regulator going forward.
- Reducing the scope for merit-based judgment when admitting new listings by streamlining SGX RegCo's qualitative admission criteria. Instead of taking a prescriptive approach to how issuers mitigate any risks prior to listing, SGX RegCo will focus on ensuring that the disclosure of material issues is sufficient for informed decision-making by investors.
- Streamlining prospectus requirements and listing processes by simplifying and rationalising the disclosure rules for various aspects of the prospectus, such as financial information, interested person transactions and conflicts of interest. Core disclosure requirements will be retained, with an emphasis on clear disclosure of the most relevant and material information to investors. With the streamlining, issuers can expect a typical listing review process to take six to eight weeks. MAS will also simplify requirements to allow issuers seeking secondary listings in Singapore to do so using the prospectus from their primary listings with minimal adaptations.
- Adopting a more targeted approach to post-listing queries, alerts and trading suspensions, to strike a better balance between facilitating market discipline and achieving investor protection. SGX RegCo will also consult on a proposal to remove the financial "Watch-List".

In addition to the above measures, MAS has issued a consultation paper on providing retail access to private market investments through authorised long-term investment funds (LIFs), subject to appropriate safeguards. The proposed LIF framework would allow retail investors to gain exposure to a diversified portfolio of private market investments, such as private equity, private credit, real estate and infrastructure, in a risk-calibrated manner. The LIF framework would also introduce stringent manager expertise requirements, diversification thresholds, periodic valuations, and enhanced disclosures for LIFs.

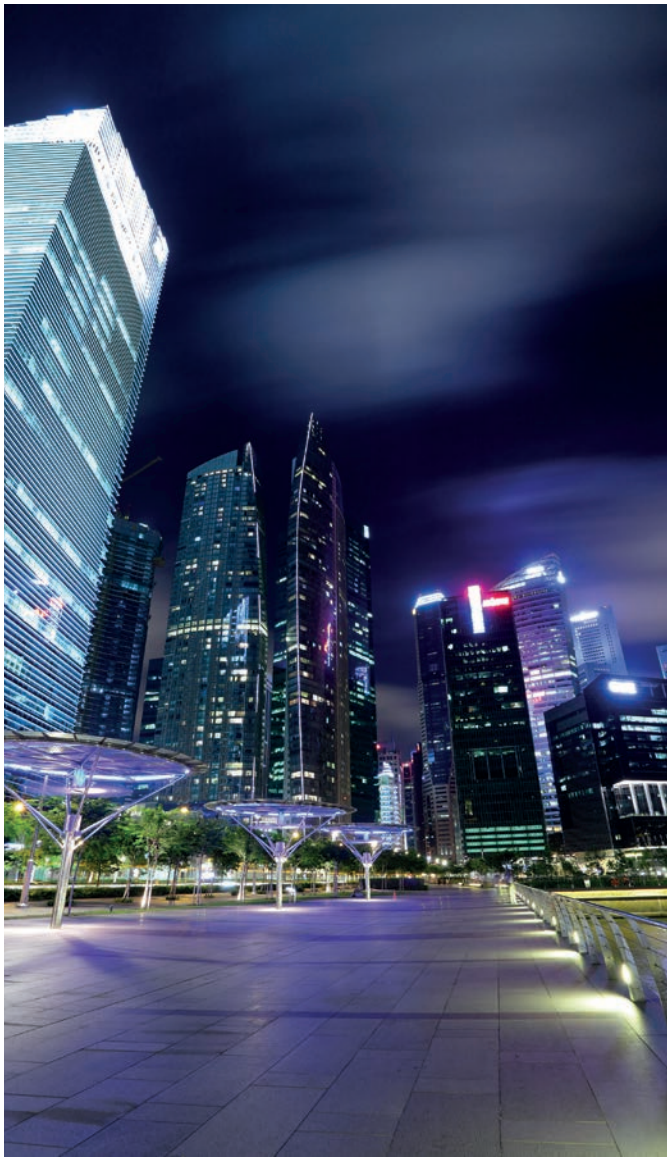
These initiatives have important implications and opportunities for issuers, fund managers and investors in Singapore's equities market. For issuers, the measures would enhance their confidence in fair valuations, liquidity and potential support from local institutional capital. For fund managers, the measures would provide new product structuring options, such as listing fund management vehicles, launching LIFs and tapping tax incentives. For investors, the measures would offer more choices, transparency and protection in the local equities market. Please refer to our client alert for additional details.

However, the measures also entail some challenges and competition. Singapore's equities market still faces competition from other hubs, which have attracted more listings and capital flows in recent years. Singapore will need to maintain its edge in terms of regulatory standards, market integrity and innovation. Moreover, the measures will require strong collaboration and accountability among key ecosystem players, such as issue managers, auditors and research analysts, who play a vital role in ensuring adequate and reliable disclosures for investors.

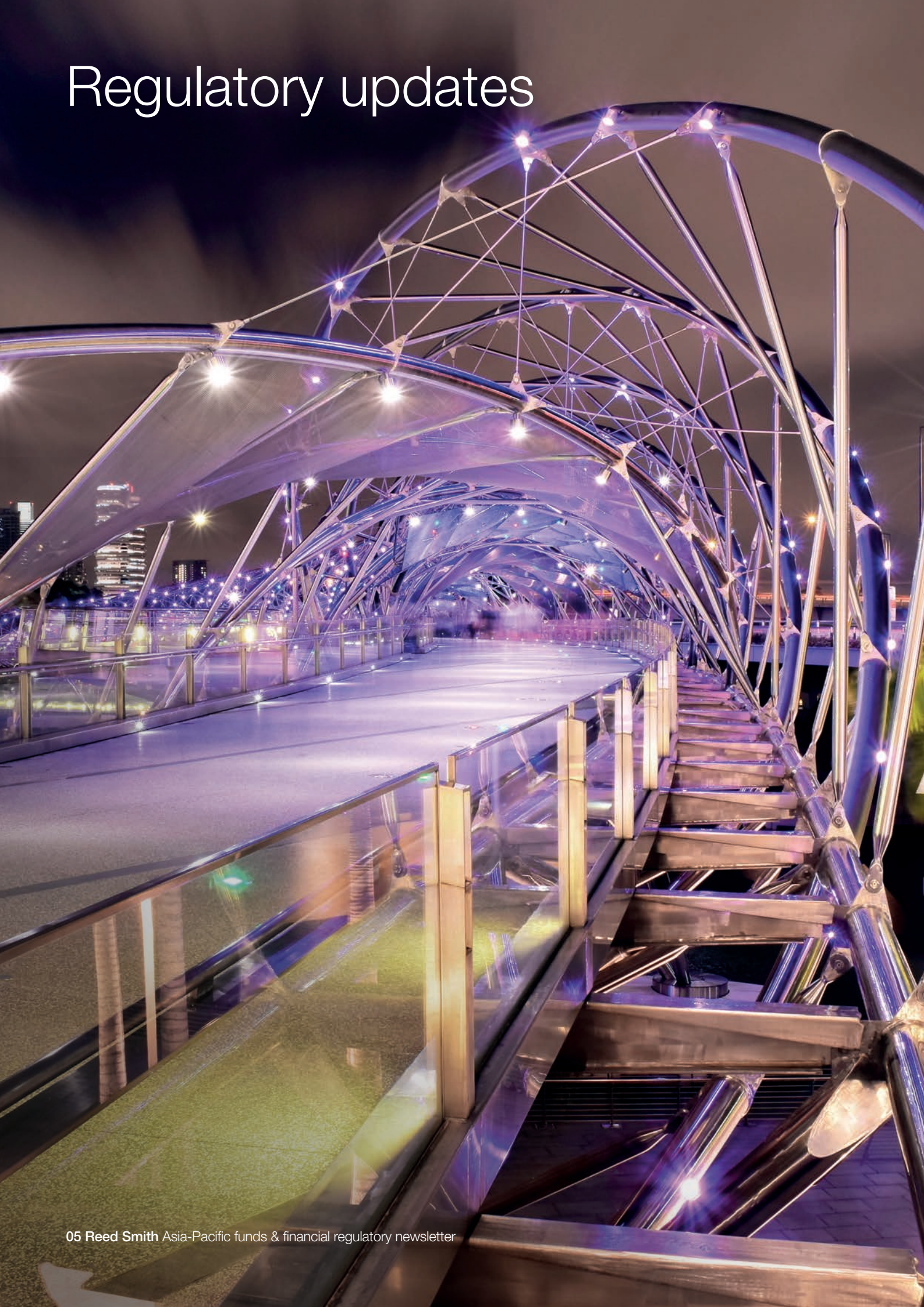
MAS has indicated that it will introduce further enhancements to the equities market in the second half of 2025, such as introducing programmes to uplift listed companies' shareholder engagement capabilities and sharpen their focus on shareholder value, attracting retail liquidity through market structure changes, strengthening investor protection through enhancing investor recourse avenues, improving post-trade custody efficiency and developing cross-border partnerships.

The Review Group is targeting to complete its report by August 2025. It may provide updates and announce its recommendations in phases before August.

These measures signal Singapore's commitment to becoming a premier listing and fund-management hub in Asia, and to supporting the growth and development of local and regional enterprises. Stakeholders should stay abreast of the new regulatory guidelines, capitalise on the incentives and proactively engage with MAS' ongoing consultations.



Regulatory updates



Singapore

Consultation paper on retail access to private market investment funds

In March 2025, the Monetary Authority of Singapore (MAS) issued a consultation paper on a proposed regulatory framework to allow retail investors access to private market investments through authorised long-term investment funds (LIFs). The consultation paper seeks feedback on the appropriate structures, requirements and safeguards for two types of LIFs: a direct fund that makes direct private market investments and a long-term investment fund-of-funds (LIFF) that primarily invests in private market investment funds.

The proposed LIF framework aims to provide retail investors with more investment choices and exposure to a diversified portfolio of private market investments, such as private equity, private credit, real estate and infrastructure, in a risk-calibrated manner. The consultation paper also discusses the scope of private market investment assets that are suitable for retail investors, and the product differentiation, disclosure and valuation requirements for LIFs. The consultation paper is open for feedback until 26 May 2025.

Please refer to our client alert for additional details on the proposed LIF framework. MAS invites feedback from all interested parties on the proposed framework. Reed Smith is responding to this and will be happy to include your feedback in our response.

Singapore to establish new single payments entity

MAS and the Association of Banks in Singapore (ABS) jointly announced on 12 February 2025 that a new entity will be set up to consolidate the administration and governance of Singapore's national payment schemes, which are widely used by consumers and businesses daily.

Currently, the national payment schemes, such as Fast And Secure Transfers (FAST), Inter-bank GIRO System, PayNow and Singapore Quick Response Code (SGQR), are administered and governed by specific scheme administrators, namely, the Singapore Clearing House Association (SCHA), ABS, MAS and the Infocomm Media Development Authority (IMDA). The consolidation of the administration and governance of these schemes under a single entity will enhance coordination and decision-making, enabling financial institutions and payment service providers to better harness opportunities in global payments and spur further growth and innovation in Singapore's payments sector.

MAS implements amendments to change of effective controller regime

In January 2025, MAS implemented changes to the Singapore Securities and Futures Act (SFA) to provide that potential acquirers must obtain MAS' approval before gaining effective control of any capital markets services licence holder. MAS has updated the FAQs on the Licensing of Fund Management Companies to reflect this.

By contrast, the SFA previously prohibited any person from entering into an arrangement to gain effective control of a licence holder without obtaining MAS' prior approval.

Hong Kong

Proposed enhancement to preferential tax regimes in Hong Kong

Following the 2024 Hong Kong Policy Address, which introduced a number of initiatives to enhance Hong Kong's status as a premier international asset and wealth management centre, the 2025-26 Hong Kong Financial Budget, announced on 26 February 2025, further reinforced this direction by committing to enhance the preferential tax regimes for the asset and wealth management industry. Accordingly, a proposal has been announced for enhancing the preferential tax regimes applicable to funds, family offices and carried interest. The key refinements are as follows:

Unified tax regime for funds

The following enhancements to the existing unified tax regime, under which funds involving the pooling of capital benefit from certain profits tax exemptions, have been proposed:

- **Expansion of the definition of "fund":** Pension funds and endowment funds will now be included as eligible funds under the unified tax regime.
- **Expansion of qualifying investments and eligible tax-exempt income:** The current regime applies to income earned from qualifying transactions in relation to investments in certain permissible assets and incidental transactions, subject to a 5% cap on incidental transactions (based on total trading receipts). Under the proposal, the scope of permissible assets will now cover overseas immovable property, emission derivatives, carbon credits, loans and private credit investments (where they benefit private credit funds). Virtual assets that reference an interest in qualifying transactions will also qualify as permissible assets. The 5% cap will also be removed so there will no longer be any distinction between qualifying transactions and incidental transactions. To add clarity, an exclusion list will be introduced, specifying types of income that will not qualify for the tax exemption.
- **Changes related to special purpose entities (SPEs) owned by a tax-exempt fund:** The scope of permissible activities for SPEs will be expanded to include the acquisition, holding, administration and disposal of investee private companies and/or other SPEs, as well as related incidental activities. A new de minimis rule will be introduced, under which an SPE will be fully exempt from tax on its assessable profits if the fund holds at least 95% of the SPE's beneficial interest.

Family-owned investment holding vehicles (FIHVs)

Similar enhancements to those under the unified tax regime will apply to the current tax concession regime for FIHVs, which are vehicles for holding investments managed by eligible single family offices in Hong Kong. These include, among others, an expansion of the scope of qualifying transactions and eligible tax-exempt income, as well as changes relating to the treatment of SPEs.

Expansion of the tax concession regime for carried interest

Currently, tax on carried interest is subject to concessions for qualifying payers (including funds certified by the Hong Kong Monetary Authority (HKMA)) and qualifying employees in relation to certain eligible private equity transactions, with a hurdle rate applicable to the carried interest. The regime will be expanded with the following changes:

- Funds will no longer have to be certified by the HKMA, as its assessment of fund activities overlaps with the role of the Inland Revenue Department, Hong Kong's tax authority.
- The scope of "qualifying payers", "qualifying employees" and "eligible transactions" will be expanded. Profits earned from all transactions exempt from profits tax under the unified tax regime (i.e., not limited to private equity transactions), as well as certain other non-taxable income (such as offshore income and dividend income) and other taxable income (such as income from immovable property in Hong Kong), will be considered "eligible transactions". "Qualifying payers" of carried interest will include all entities of the same group regardless of their legal form (i.e., not limited to the certified investment fund and the associated corporation or partnership). The distribution of carried interest to "qualifying employees" (which will also be expanded to include the employees' "closely related entity") will no longer need to be made through a "qualifying person", specifically the licensed investment manager.
- The mandatory hurdle rate requirement will be removed.

In addition to the changes outlined above, the proposal includes (A) relaxations of (i) the anti-round tripping provisions to encourage Hong Kong resident investors to invest in funds that are eligible for the unified fund regime, and (ii) the test applicable to eligible transactions in private companies under the unified fund regime, and (B) the introduction of a tax reporting mechanism and substantial activities requirements for funds (i.e., requiring at least two qualified employees and annual operating expenditure of at least HK$2 million in Hong Kong), in order to facilitate effective implementation of the unified fund regime and to align with international standards aimed at combating harmful tax practices.

The Hong Kong government has sought, and is currently considering, industry feedback on the proposal. We look forward to seeing the final proposal, which is expected to attract more funds and family offices in Hong Kong.

Updates on grant scheme for open-ended fund companies (OFCs) and real estate investment trusts (REITs)

Since the launch of a grant scheme for OFCs and REITs (Grant Scheme) in May 2021 to incentivise market development, Hong Kong has seen strong growth in the number of OFCs. As of the end of February 2025, the number of registered OFCs in Hong Kong recorded an 81% year-on-year increase, reaching 502. A total of 430 OFCs and one REIT have benefited from the Grant Scheme.

With effect from 11 April 2025, the Grant Scheme caps will be lowered: from HK$1 million to HK$300,000 for a public OFC, from HK$500,000 to HK$150,000 for a private OFC, and from HK$8 million to HK$5 million for a REIT. Additionally, the maximum number of OFCs per investment manager will be reduced from three to one. The coverage for the Grant Scheme will remain at 70% of eligible expenses paid to Hong Kong-based service providers, subject to the revised caps.

The Grant Scheme is currently expected to remain in place until 9 May 2027.

Mainland China

CSRC calls for performing the "five major financial tasks" in capital market

The China Securities Regulatory Commission (CSRC) has issued the Implementation Opinions on Effectively Performing the "Five Major Financial Tasks" in the Capital Market (the Opinions). The Opinions focus on supporting the development of new productive forces, with an emphasis on actions needed to deepen comprehensive investment and financing reforms in the Chinese capital market, enhance institutional inclusiveness and adaptability, and promote the efficient mobilisation of resources toward major strategic priorities, key sectors and critical areas such as technological innovation, advanced manufacturing, green and low-carbon development, and inclusive public welfare.

The Opinions set out a range of policy measures, including:

- Strengthening financial services for sci-tech enterprises across the full chain and lifecycle
- Enriching the capital market's product and institutional systems to support the green and low-carbon transition
- Enhancing the market's effectiveness in serving inclusive finance
- Better meeting the diversified financial needs associated with retirement planning
- Accelerating the digital and intelligent transformation of the capital market
- Improving the financial sector's ability to effectively implement the "Five Major Financial Tasks"
- Enhancing coordination across the capital market in implementing these tasks.

Administrative Rules for Derivatives Trading Business of Futures Risk Management Companies

The China Futures Association (CFA) has released the Administrative Rules for Derivatives Trading Business of Futures Risk Management Companies (the Rules), along with a supporting document titled Risk Disclosure Statement for Derivatives Trading Business. The Rules came into effect on 21 February 2025.

The Rules cover a broad range of areas, including trader suitability management, trading management, underlying asset management, performance guarantee management, internal management, code of conduct, information reporting and self-regulation. They also include an appendix titled "Note on Margin Management for Derivatives Trading Business".

In the chapter on trading management, the Rules set out standards for the entire derivatives trading process, including contract design, concentration management, valuation mechanisms, quote inquiry management, trade confirmation, information booking and hedging management.

To prevent futures risk management companies from engaging in disguised derivatives trading with natural persons, the nominal principal amount of a single transaction involving equity-related non-standardised options must not be less than RMB 1 million, except for transactions with financial institutions that are legally authorised or approved to engage in derivatives trading.

CSRC seeks comments on the Administrative Regulations on Internet Marketing of Futures Companies

The CSRC has drafted the Administrative Regulations on Internet Marketing of Futures Companies (Draft for Comment) (the Draft) to seek public feedback by 9 February 2025.

The Draft aims to address the issues and potential risks in the internet marketing activities of futures companies. It proposes regulatory requirements in the following areas:

- Defining the scope of marketing activities
- Specifying responsibilities of marketing departments
- Establishing comprehensive marketing management rules
- Strengthening the oversight of marketing personnel
- Enhancing the review process for marketing content
- Regulating the use of marketing accounts
- Strengthening the management of third-party institutions
- Enhancing customer protection

- Prohibiting fraudulent or misleading practices
- Preventing unfair competition
- Clarifying supervisory responsibilities, administrative processes, and legal liability

Notably, the Draft stipulates that futures companies must establish or designate a specific department at their headquarters to centrally manage internet marketing activities. Such activities must not be conducted in the name of branch offices or individual employees.

Expanding the investment scope of qualified foreign investors in commodity futures and options

The Shanghai Futures Exchange (SHFE) has issued the Circular on Expanding the Investment Scope of Qualified Foreign Investors in Commodity Futures and Options. According to the circular, and with the approval of the CSRC, starting from 4 March 2025, the SHFE will expand the investment scope of qualified foreign institutional investors and RMB qualified foreign institutional investors, to include (1) futures contracts for stainless steel, fuel oil and wood pulp; and (2) options contracts for silver and steel rebar.

Action plan for promoting high-quality development of index investment in capital market

The plan issued by the CSRC mainly aims to significantly increase the scale and share of index investment in the capital market. It seeks to foster a new development model for the public funds industry, where active and passive investment strategies develop in a coordinated manner and provide mutual reinforcement. The plan focuses on strengthening the asset allocation function of index funds, steadily improving long-term returns for investors and facilitating the entry of medium- and long-term capital into the market. This will help build an ecosystem that supports long-term capital and investment, thereby strengthening the role of rational and mature medium- and long-term investment.

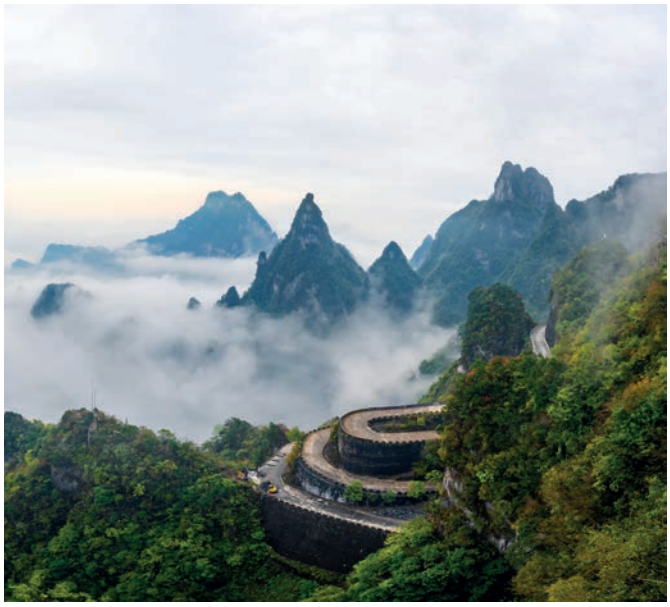
To achieve all these objectives, the plan identifies a number of key tasks, including expanding the range of index fund products, optimising the ecosystem for the development of index investment and strengthening regulation and risk prevention, among others. Notably, the plan calls for optimising the registration process for exchange-traded funds. A fast-track registration mechanism will be introduced, allowing registration to be completed within five working days of acceptance.

Draft Measures for Administrative Penalties open for public comment

The Draft Measures for Administrative Penalties have been issued by the National Financial Regulatory Administration (NFRA) for public comment. They apply to financial institutions and other entities, as well as individuals, that violate laws, administrative regulations or financial regulations, and are subject to administrative penalties.

Among other things, the draft measures provide that the NFRA and its branches will implement a system that separates case opening, hearings and decision-making. They further safeguard a party's right to information – for instance, if a major adjustment is made to a penalty decision already communicated to the party, such adjustment must be re-communicated in advance. A decision not to impose an administrative penalty must also be notified to the party.

The draft measures optimise the decision-making mechanism for penalties, specifying that the authorities must hold discussions and make collective decisions in complex cases or those involving major violations. In addition, the measures improve the rules for investigation and evidence collection, clarifying that evidence lawfully obtained through onsite inspection, verification, audit and other means prior to case filing may be used as evidence in an administrative penalties case provided that such evidence meets legal requirements and is verified.



Enforcement actions

Singapore

The Monetary Authority of Singapore (MAS) has issued a six-year prohibition order (PO) against a former representative after he was convicted of forgery and cheating offences under the Penal Code. MAS found that he was not a fit and proper person to carry on any regulated or authorised activity or business, or to hold any management or directorship position, in any financial institution (FI).

The former representative forged the signatures of four clients to transfer their accounts from his former employer to his then employer and cheated a remittance agency to facilitate money laundering. He pleaded guilty to two counts of forgery and one count of cheating and was sentenced to 15 weeks' imprisonment. The PO, which took effect on 21 March 2025, bars him from becoming or remaining a substantial shareholder of any FI that is a corporation and from acquiring any additional interest in any voting shares of such an FI.

MAS imposes civil penalties on five individuals for false and unauthorised trading

MAS has imposed civil penalties on five individuals involved in false trading and the related unauthorised use of trading accounts in the shares of a listed company from January to May 2019. Four of these individuals abetted another individual by falsely raising and maintaining the price of shares in such company on his behalf and also allowed his associate to access their trading accounts online or through their trading representatives without proper authorisation.

The five individuals have admitted to contraventions of the Securities and Futures Act and have paid civil penalty amounts ranging from S$50,000 to S$150,000 to MAS as part of settlement agreements.

Hong Kong

SFC imposes fine and suspension for margin financing missteps

The Securities and Futures Commission (SFC) has imposed a HK$5 million penalty on a licensed brokerage firm and suspended its responsible officer for seven months, citing "internal control failures" and inadequate risk management over securities margin financing.

According to the enforcement announcement, the firm failed to "properly manage its margin clients' credit limits", "set triggers for stopping further securities purchases" and "promptly collect margin due by clients".

SFC imposes 16-month suspension on social media influencer

The SFC recently suspended a licensed representative for 16 months after the individual was criminally convicted for providing investment advice in a subscription chat group on a popular messaging platform without a licence.

Although he was an SFC-licensed representative at the material time, he could only act for the firm to which he was accredited in carrying on business in regulated activities. However, he operated the chat group in his personal capacity. The finfluencer was fined and deemed "not a fit and proper person to remain licensed" due to his criminal conviction.

14-month ban handed down over fund management failures

The SFC recently barred a senior executive of a fund management firm from re-entering the financial services industry for 14 months, effective mid-March 2025, after discovering major deficiencies in the oversight of multiple private funds. The individual was responsible for overseeing the overall operations and internal controls of the firm.

According to the regulator, the individual "failed to discharge his duties as an RO and as a member of the senior management to ensure maintenance of appropriate standards of conduct and adherence to proper procedures" in managing the private funds.

The firm under the individual's direction served as the investment manager and/or consultant for a Cayman-incorporated fund. Despite the seriousness of the breaches, the regulator acknowledged the individual's cooperation during the investigation and noted his previously clean disciplinary record when determining the length of the ban.

SFC obtains multi-year director disqualifications over failed oversight

The SFC recently secured court orders disqualifying three former executives of a listed company for failing to properly oversee a key joint venture. The individuals delegated day-to-day operations to an outside joint venture partner, who subsequently misappropriated over RMB 300 million. This mismanagement wiped out the value of the joint venture's principal asset.

According to the regulator's enforcement team, "Any delegation of the management of the joint venture to [an

outside partner] would not exonerate their fiduciary duties and obligation to act in the best interests of the company and safeguard its assets."

Major bank fined HK$66.4 million for misconduct in investment sales

A major bank in Hong Kong has been reprimanded and fined HK$66.4 million by the SFC for serious and systemic failures in selling investment products to its clients over a nine-year period. The bank overcharged clients, failed to disclose fees and commissions, and solicited clients to trade excessively and inappropriately in funds and derivatives.

The regulator said the bank's misconduct was detrimental to its clients, and that it would not hesitate to take robust enforcement actions against errant intermediaries. The bank has compensated the affected clients and enhanced its internal controls. It also cooperated with the regulator and accepted its findings and disciplinary action.

Chauffeur's tip leads to insider trading fine

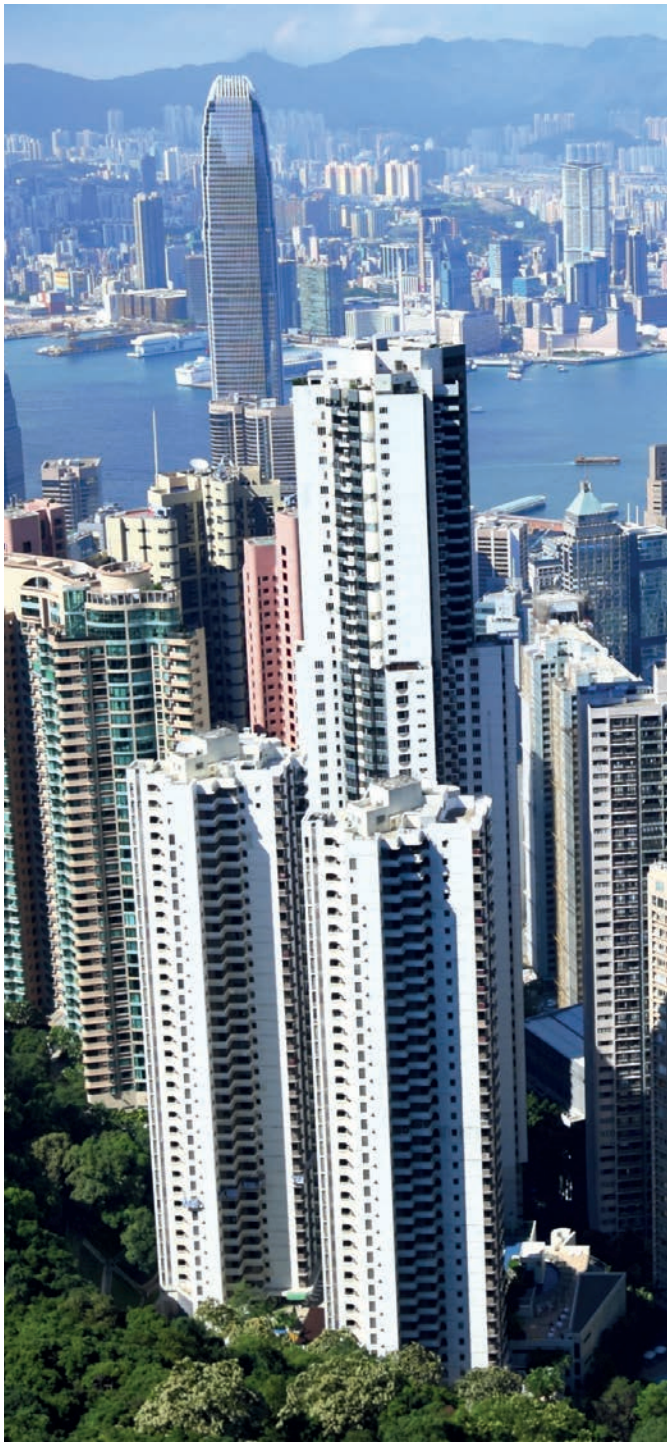
A chauffeur who worked for the family of a property tycoon and the chauffeur's wife were ordered to pay back more than HK$100,000 in illicit profits from insider trading in a takeover deal.

The Market Misconduct Tribunal found that the chauffeur had access to inside information about the acquisition of a listed company by his employer's firm and advised his wife to buy shares before the announcement. The couple sold the shares after the deal was made public and pocketed a hefty profit. They were also banned from dealing in securities and futures for 16 months.

SFC and HKEX team up to sue gaming company and ex-directors for over HK$600 million in losses

A joint enforcement action by the SFC and The Stock Exchange of Hong Kong Limited (HKEX) has targeted a listed gaming company and its former directors for misconduct that caused massive losses to the company and its shareholders.

The investigations centred on the directors' misconduct in relation to problematic investments and loans to external parties. Notably, a substantial portion of the loans went into default, resulting in the company suffering losses of over HK$660 million.



In parallel, the SFC is also seeking disqualification and compensation orders from the Court of First Instance for the same alleged misconduct. The SFC and HKEX warn that corporate directors, including independent non-executive ones, must ensure adequate internal control over the financial activities of their companies.

SFC fines sponsor for due diligence failures in listing application

The SFC has reprimanded and fined a sponsor firm HK$3 million for failing to perform proper due diligence and disclose material issues in relation to the listing application of a vessel chartering company.

The sponsor firm, which was the sole sponsor for the listing application on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, did not critically assess the rationale and legality of the business arrangements of the listing applicant's subsidiary, among others. The SFC found that the sponsor firm's conduct fell below the standards expected of it as a sponsor and breached the requirements of the SFC's code of conduct.

Solicitor fined for leaking SFC probe details

A Hong Kong solicitor has been fined HK$25,000 for breaching the secrecy provision of the Securities and Futures Ordinance (SFO) by disclosing confidential information related to an SFC investigation. This marks the first conviction of a solicitor for such an offence in Hong Kong.

The solicitor, the principal of a law firm, was acting as the legal representative of an individual who was the subject of the SFC's investigations of suspected ramp-and-dump schemes involving a sophisticated syndicate. He received confidential information regarding a restriction notice that the SFC had disclosed to that individual. He then disclosed the information to two other individuals, violating the SFO's secrecy obligation.

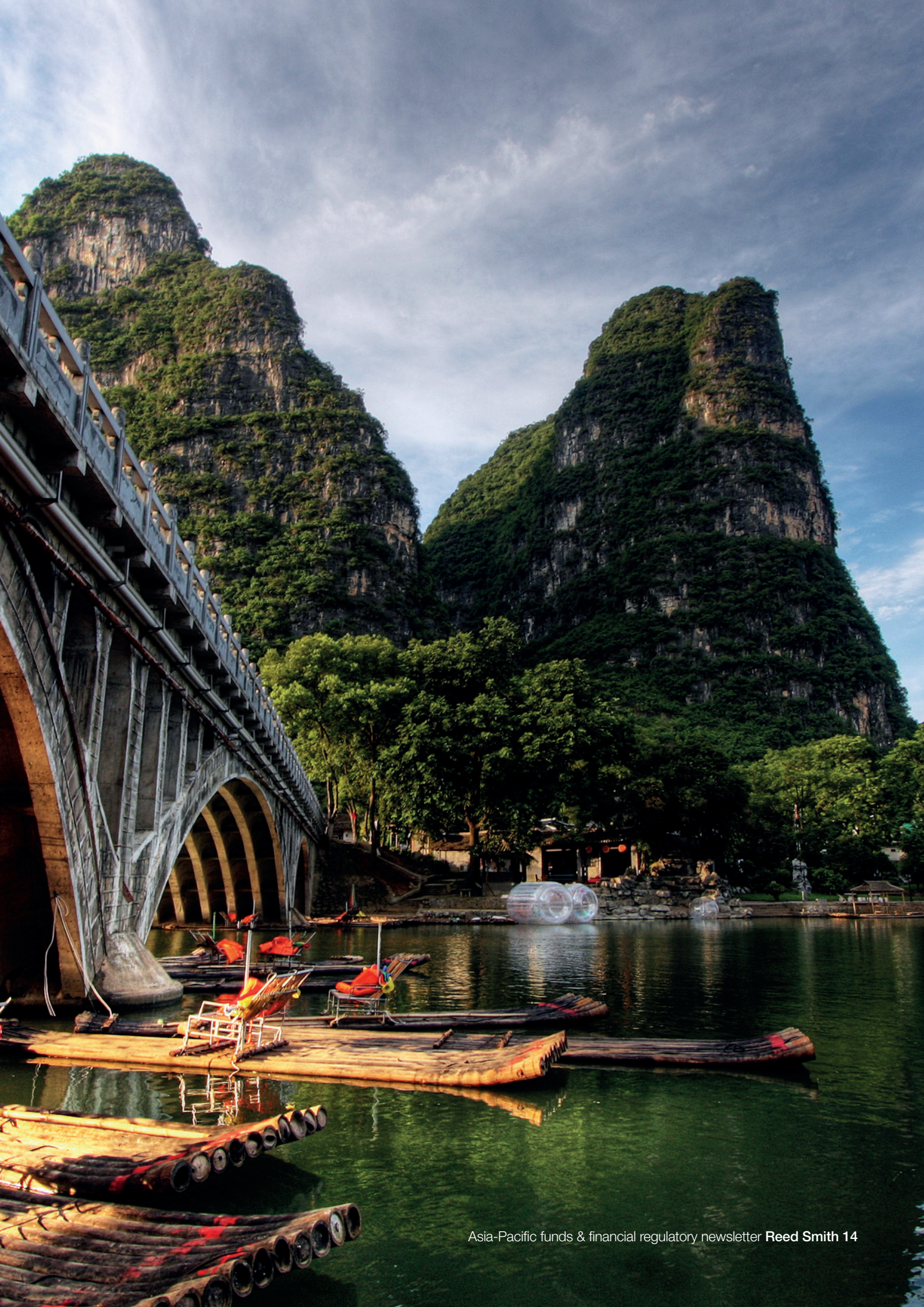
The SFC's executive director of enforcement said that legal professionals should maintain the highest standard of professional conduct as any wrongdoing while acting on behalf of their clients may jeopardise the integrity of the SFC's investigation.

Mainland China

CSRC revokes futures business licence of a futures company

The China Securities Regulatory Commission (CSRC) investigated a futures company for failing to effectively implement key internal management systems, including those governing the management of its subsidiaries. In addition, the company failed to fulfil its management responsibilities with respect to its subsidiary in Shanghai, which led to a major risk event at the subsidiary. The company also failed to meet its reporting obligations and submitted untrue and incomplete information.

In February 2025, the CSRC imposed administrative penalties on the company, ordering it to make corrections, giving it a warning, imposing a fine of RMB 6.1 million and revoking its futures business licence in accordance with the law.



Other notable updates

United States

Moving away from "regulation by enforcement"

In February 2025, the U.S. Commodity Futures Trading Commission's (CFTC) acting chair, Caroline Pham, announced a reorganisation of the CFTC's Division of Enforcement. Previously, the Division of Enforcement contained at least nine task forces comprised of enforcement attorneys focusing on specific enforcement trends such as spoofing, virtual currencies and insider trading. As announced by Acting Chair Pham, the CFTC has eliminated many of these task forces, leaving only two: the Complex Fraud task force and the Retail Fraud and General Enforcement task force.

This aligns with Acting Chair Pham's goals of focusing enforcement on fraud and manipulation, and moving away from controversial actions that many have dubbed "regulation by enforcement".

However, the CFTC is unlikely to move completely away from enforcing regulatory violations under the Trump administration. For example, to date, the CFTC has not fired many enforcement attorneys when compared to certain other U.S. agencies, so the agency may not be expecting a reduction in enforcement actions.

It is therefore instructive to examine some of the CFTC's most recent and notable enforcement actions, as described below.

Market manipulation

In September 2024, the CFTC settled charges against a Singapore-based food and agri-business, ordering it to pay US$3.25 million for making false, misleading or inaccurate reports of cotton sales. In the order, the CFTC alleged that the company sold 375,000 bales of U.S. cotton, with a sales value of more than US$190 million, to an Asian counterparty. This information is required to be reported immediately to the USDA because it is incorporated into the USDA's weekly and monthly reports, which can influence the price of physical cotton. However the CFTC alleged that the company knowingly reported the data one to five weeks late. Importantly, the CFTC did not allege that the company benefited from any artificial price movement caused by its failure to report this data. This matter is also notable because it involved alleged reporting failures to an agency other than the CFTC, but the CFTC brought the action based on the theory that the reporting failures could have or did impact the U.S. cotton futures markets.

In October 2024, the CFTC brought its first set of actions addressing allegedly fraudulent activity in the voluntary carbon credit (VCC) market. These enforcement actions targeted a prominent carbon credit project developer accused of falsifying data to obtain carbon credits through fraudulent means, as well as the company's CEO and COO. According to the CFTC, the fraud was tied to energy efficiency projects, including the installation of cookstoves and LED lighting in sub-Saharan Africa, Asia and Central America. The CFTC's actions reflect its growing focus on environmental fraud, although it is unclear whether this will continue to be a focus under the Trump administration.

In August 2024, the CFTC settled charges against a Swiss energy trader, ordering it to pay US$48 million for attempting to manipulate the market for EBOB-linked futures contracts in order to benefit its derivatives positions. According to the order, in March 2018, the energy trader attempted to manipulate the market for EBOB-linked futures by selling physical EBOB in the Argus brokered market at prices below those indicated by buyers. During this month, the energy trader sold more physical EBOB than it had sold in any previous month and its sales accounted for more than 60% of the total volume transacted by all brokered market

participants. Then-CFTC Commissioner Caroline Pham wrote a dissent from this decision, pointing out a number of facts not included in the order. For example, she noted that it was undisputed that there was no evidence that the energy trader's trading created an artificial price, and that the trader had submitted three expert witness reports to the Division of Enforcement, which reports concluded that the volume of trading was uncorrelated with legitimate price changes in the market and that there were legitimate explanations for the trading activity.

Insider trading

In September 2024, the CFTC filed a complaint in federal court against an individual for misappropriation of material, non-public information (MNPI) in a case related to an earlier action against the individual's employer, a registered introducing broker. According to the CFTC's complaint, when the broker's customer disclosed block trade orders in natural gas futures, the individual tipped this information to an individual proprietary trader. The individual then allegedly brokered the customer's trade with the proprietary trader's company at prices that were designed to enable the proprietary trader to make a profit, which the two shared. Importantly, the CFTC's complaint does not identify any particular agreements between the introducing broker and the customer that required the introducing broker to keep the customer's information confidential, but merely states that brokerage customers expect such information to be kept confidential.

In June 2024, the CFTC settled charges against a global commodities merchant related to, among other things, trading petrol while in knowing possession of MNPI that it knew or should have known had been misappropriated from a Mexican trading entity. Specifically, the Mexican trading entity provided the commodities merchant with documents showing information such as expected petrol import volumes, the types of petrol to be imported in the forward month, the destination ports and competitor pricing information. According to the CFTC, the commodities merchant entered into physical and derivative petrol transactions while in knowing possession of this information. The CFTC alleged that the Mexican trading entity breached its employment policies in providing this information to the commodities merchant, and that the commodities merchant knew or was reckless in not knowing that the information was transmitted in violation of such duties.

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