

2019'S KEY TARGETS FOR HONG KONG FINANCIAL SERVICES ENFORCEMENT

24 January 2019 | Hong Kong
News

As the Year of the Pig approaches, our Asia financial services regulatory team has identified the four key targets for Hong Kong regulators in the year ahead.

"The focus on **IPO sponsor behaviour** by the Securities and Futures Commission (SFC) will intensify," said [Will Hallatt](#), Asia Head of Financial Services Regulatory. The main areas of concern to the SFC are due diligence, record keeping and resources, and systems and controls during an IPO. "It's no longer simply an investigation of historical misconduct, but an ongoing and in-depth review of current behaviour," said Will. "The SFC is prepared to take hard action and increase fines to change that behaviour if needed."

Anti-money laundering and counter-financing of terrorism will remain high on the agenda, as Hong Kong awaits the results of its 2018 FATF evaluation. "Regulators are looking hard at record keeping, transaction monitoring and customer due diligence," said Of Counsel [Natalie Curtis](#). "If you can't produce the records when the regulators ask, they'll assume they never existed."

Cybersecurity is another key target for enforcement in the coming year. "While Hong Kong lacks standalone cybercrime legislation, the regulators have more than enough in their toolkits to take action," said partner [Hannah Cassidy](#). "New technology creates opportunities but also new challenges for banks in deterring and detecting cybercrime."

Lastly, **culture** is the new focus for regulators in Hong Kong, mirroring trends regionally and globally. "2017's Manager in Charge regime was a clear signal that regulators were looking at individuals as well as institutions," said Hannah. "We can expect the first enforcements under that regime this year, and the focus on culture will see them look closely at those responsible for setting the tone as well as those carrying out the work."

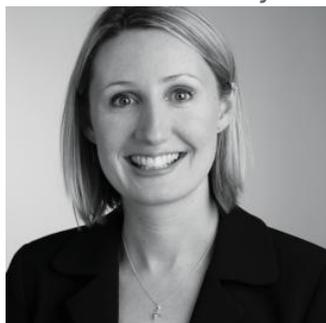
The focus on cybersecurity, culture-driven misconduct and anti-money laundering has since been confirmed by the publication of the Hong Kong Monetary Authority's (HKMA) [priorities for 2019](#), presented on 24 January 2019 by the authority's deputy chief executive, Arthur Yuen.

The industry is also experiencing a shift in enforcement practice. Hong Kong regulators now work to prevent market issues before they occur, rather than punishing wrongdoing after the event. In practice this means more frequent market-wide reviews on specific areas – five in 2018 alone.

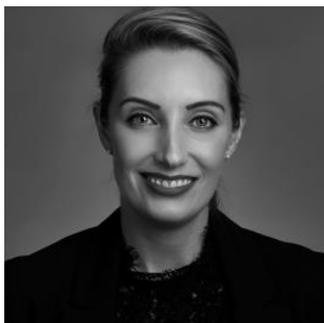
"On the most critical issues, the SFC is forming cross-department taskforces and collaborating more closely with the HKMA," said Will. "Institutions should be aware that even casual discussions may be shared more widely within the regulators than ever before."

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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