Hong Kong Corporate and Regulatory Insights

March 2021

Hogan Lovells

Contents

Equity Capital Markets

The Stock Exchange of Hong Kong Limited (SEHK) seeks views on reforms to enhance listing regime for overseas issuers

SEHK published a consultation paper, Listing Regime for Overseas Issuers, seeking public feedback on proposals to enhance and streamline the listing regime for overseas issuers, which include:

- Streamlined requirements with a single set of shareholder protection standards to ensure the consistent protection is provided to all investors.
- Amendment of secondary listing requirements for Greater China issuers without weighted voting rights.
- Greater flexibility for issuers to dual-primary list with their existing weighted voting rights structures and variable interest entity structures.
- The consolidation of requirements for overseas issuers into Chapter 19 (for primary listing) and Chapter 19C (for secondary listing), with one guidance letter.
- The codification of some conditional common waivers for dual-primary listings and secondary listings.
- Guidance on the application of waivers following a de-listing from an overseas exchange of primary listing.

The deadline for responding to the consultation paper is 31 May 2021.

Click here to view the consultation paper.

(HKEx, 31 March 2021)

The Growth Enterprise Market (GEM) Listing Committee of SEHK (GEM Listing Committee) takes disciplinary action against China Yu Tian Holdings Limited (Delisted, previous Stock Code: 8230) and seven directors

The GEM Listing Committee censures:

- China Yu Tian Holdings Limited (the Company);
- Miss Wang Xue Mei, executive director; Mr. Wang Jin Dong, executive director; Mr. Cheng Bo, independent non-executive director; Mr. Wang Zhong Hua, independent non-executive director; Mr. Tang Xi Guang, former executive director; Mr. Zhao Hai Bo, former executive director; and Mr Huang Zhi Wei, former independent non-executive director.,

and further states that in SEHK's opinion, by reason of:

- Miss Wang Xue Mei, Mr. Wang Jin Dong, Mr. Cheng and Mr. Wang Zhong Hua's willful and/or persistent failure to discharge their responsibilities under the GEM Listing Rules, had the Company remained listed, their retention of office would have been prejudicial to the interests of investors; and
- Mr. Tang and Mr. Zhao's wilful and/or persistent failure to discharge their responsibilities under the GEM Listing Rules, had they remained on the board of directors, their retention of office would have been prejudicial to the interests of investors.

The Company and its subsidiary granted interest and collateral-free loans of up to US$3,000,000 and RMB7,500,000 respectively to parties connected to two of the executive directors, Miss Wang Xue Mei and Mr. Wang Jin Dong. The loans were neither announced nor approved by the shareholders. Despite their conflict of interest, Miss Wang Xue Mei and Mr. Wang Jin Dong took an active role in relation to the loans. The other directors approved the loans without proper consideration of the loans, the conflict of interest, or compliance of the Rules Governing the Listing of Securities on SEHK (Listing Rules).

Click here to view the statement of disciplinary action.

(HKEx, 30 March 2021)

SEHK publishes Listing Committee Report 2020

SEHK published its Listing Committee Report for 2020, which includes a review of the committee's work during the year and an overview of its policy agenda for 2021 and beyond.

Listing Committee Report for 2020 summarizes the major consultations, guidance materials, stakeholder engagement, ongoing obligation and other related matters, regular business, service standards, disciplinary matters, and review meetings.

It also highlights that SEHK plans to consider the matters on prospectus and listing process as well as ongoing obligations and other related matters during 2021 and beyond.

Click here to view Listing Committee Report for 2020.

(HKEx, 15 March 2021)

SEHK publishes guidance letter HKEX-GL85-16

SEHK published an updated guidance letter, HKEX-GL85-16, on placing to connected clients of a lead broker of any distributors (Distributors), and a listing applicant's existing shareholders or their close associates under the Listing Rules.

Connected clients

Connected clients, whether or not holding securities on behalf of independent parties, they cannot participate both as a cornerstone investor and as a place.

To address any actual or perceived preferential treatment given to:

- Connected clients holding securities on a non-discretionary basis on behalf of independent third parties who are cornerstone investors or placees, conditions such as written confirmations from the sponsor, the listing applicant, the bookrunners, and the connected client should be complied with; and
- Connected clients holding securities on a discretionary basis on behalf of independent third parties who are cornerstone investors or placees, conditions such as written confirmations from the sponsor, the listing applicant, the bookrunners, and the connected client should be complied with.

Existing shareholders or their close associates

Existing shareholders or their close associates cannot participate both as a cornerstone investor and as a placee.

SEHK will give consent for allocation of securities to existing shareholders or their close associates subject to conditions such as the sponsor's confirmation that the existing shareholder is interested in less than five percent of a listing applicant's voting rights before listing and that the existing shareholder is not a core connected person or its close associate etc.

However, the above conditions are not applicable to (i) Biotech Companies; and (ii) close associates of existing shareholders who are PRC governmental bodies under Main Board Listing Rule 19A.04 (GEM Listing Rule 25.04) if the existing shareholders have no direct influence over the allocation process, and the close associates (a) are genuine investors who operate independently of the PRC governmental bodies; and (b) have no access to material non-public information regarding an initial public offering (IPO) and no influence over the allocation process of the IPO.

Click here to HKEX-GL85-16.

(HKEx, 5 March 2021)

SEHK publishes guidance letter HKEX-GL110-21

SEHK published a guidance letter, HKEX-GL110-21, in relation to the pre-vetting for placing to connected clients in an IPO set out in guidance letter HKEX-GL85-16.

When the Distributor submits the pre-vetting application, the following information shall be provided:

- The identities of the connected clients and the relationships between the Distributor and each of the connected clients.
- Where the connected client is a collective investment scheme which is not authorised by the Securities and Futures Commission or is expected to hold the securities on behalf of such a scheme, the background and details of the scheme.;
- Where the connected client subscribes for securities on a non-discretionary basis on behalf of specific independent third parties in the client accounts, the identities of the ultimate beneficial owners of the securities or where applicable, details of the structured products under which the subscription by the connected client was made; and
- The basis of seeking the consent.

Then SEHK will issue a notification to the sponsor which may set out condition(s) as part of the consent (Notification) after reviewing the pre-vetting application. In order for SEHK to grant the consent, the connected Distributor, the listing applicant, the sponsor(s), the bookrunner(s), and the connected client (where applicable) should, as soon as possible:

- Provide the outstanding information to SEHK;
- Confirm to SEHK that the information provided in the pre-vetting application remains valid; and
- Satisfy any condition(s) set out in the Notification.

If there is any material change to the information submitted in the pre-vetting application, the new information must be timely submitted for SEHK's consideration. The allocation of securities to connected clients should be conducted only after the close of the public offer and consent has been granted by SEHK.

Click here to HKEX-GL110-21.

(HKEx, 5 March 2021)

Financial Services Regulation

The Financial Services and the Treasury Bureau (FSTB) responds to the implementation of inspection arrangements for Companies Register

In recent years, there has been rising community concern over whether personal information contained in public registers are adequately protected, especially in the light of increased reported cases of doxxing and personal data misuse. In its report issued in 2015, the Office of the Privacy Commissioner for Personal Data suggested the Government to implement the previous proposal to limit the disclosure of identification numbers and residential addresses of company directors filed with the Companies Registry.

The Companies Ordinance (Cap. 622) provides for an inspection regime that allows the masking of residential addresses and full identification number of directors and company secretaries for public inspection on the Company Registry due to privacy and risks of misuse of information. Searcher will still have access to the correspondence address and partial identification number of a director, and they may also apply to the Companies Registry for inspecting the residential address and full identification number after obtaining authorisation from that director (new inspection regime). Nonetheless, such inspection regime is not yet in force.

The FSTB will be proposing to the Legislative Council to implement the new inspection regime by phases. Upon the implementation of the new inspection regime, all searchers (including the media) will continue to be able to access the information of directors on the Companies Register, including their personal correspondence addresses (in place of the current residential addresses) and partial identification numbers (IDN) (the alphabet(s) and three digits in the case of Hong Kong identity card). The availability of other information currently available for inspection on the register will not be in any way hindered. Such information, together with the name of a director, should be sufficient to enable searchers to ascertain the identity of the director concerned.

Implementation of the new inspection regime would involve substantial modifications to the Companies Registry's information system. The FSTB therefore proposed to bring the provisions into operation by phases to enhance personal data protection.

Please click here to view the press release.

FSTB, 31 March 2021

The Mandatory Provident Fund Schemes Authority (MPFA) releases December 2020 Issue of *Mandatory Provident Fund Schemes Statistical Digest*

The MPFA released the December 2020 issue of *Mandatory Provident Fund Schemes Statistical Digest* (Statistical Digest) on 30 March 2021, which covered the key statistical data of the MPF System, including scheme member enrolment, number of accounts and investment performance, etc.

Key findings of the December 2020 Statistical Digest include:

- The total amount of MPF contributions received in 2020 remained stable, with voluntary contributions reaching a record high at US$14.1 billion, nine percent higher than that in 2019.
- US$349 million of tax-deductible voluntary contributions (TVC) was received in the fourth quarter of 2020, which is US$64 million higher than the previous quarter. Around US$2 billion of TVC was received in the whole year of 2020.

- The total number of withdrawal claims of MPF benefits on the grounds of retirement, early retirement, permanent departure from Hong Kong, total incapacity, terminal illness, small balance account and death in the third quarter of 2020 was 52,800, close to the 51,800 claims recorded in the third quarter of 2019. The number of claims of MPF benefits in relation to offsetting severance payment and long service payment in the third quarter of 2020 has dropped as compared to that in the previous quarter (-44 percent), and has increased slightly as compared to that in the third quarter in 2019 (+4 percent). The number of claims of MPF benefits in relation to permanent departure from Hong Kong in the third quarter of 2020 has increased as compared to that in the previous quarter (+37 percent), and has dropped slightly as compared to that in the third quarter in 2019 (-2 percent).
- As at the end of December 2020, the total MPF assets amounted to $1.14 trillion, of which over US$400 billion was investment returns, net of fees and charges. The annualized return was 4.8 percent since the inception of the MPF System in 2000, outperforming the inflation rate of 1.8 percent over the same period.
- The Core Accumulation Fund and Age 65 Plus Fund under the Default Investment Strategy yielded an overall return of 12.3 percent and 8.8 percent respectively in 2020.

Please click here to view the press release.

MPFA, 30 March 2021

Alternative Reference Rates: Interim Reporting Guidelines

Given the evolution of new alternative reference rates (ARR) conventions resulting from the progressing interest rate benchmark reform, the Hong Kong Monetary Authority (HKMA) will soon look into comprehensively reflecting these by updating the Supervisory Policy Manual (SPM) module IR-1 “Interest Rate Risk in the Banking Book” (IRRBB) and the completion instructions for the relevant returns.

To facilitate the regulatory reporting for the time being, some interim reporting guidelines for ARRs have been provided in relation to MA(BS)12A “Interest Rate Risk in the Banking Book”, MA(BS)12B “Interest Rate Risk in the Banking Book (Supplementary Information)” and MA(BS)12 “Interest Rate Risk Exposures”.

Please click here to view the detailed interim guidelines contained in the circular.

HKMA, 30 March 2021

Tentative issuance schedule for HKSAR Government Bonds under the Institutional Bond Issuance Programme

The HKMA, as the representative of the HKSAR Government, published a tentative issuance schedule for Government Bonds (GBs) offered under the Institutional Bond Issuance Programme on 30 March 2021 for the next six-month period from April to September 2021. The schedule contained information on, among others, the tentative tenors, tender dates, issuance sizes, issue dates, and method of issuance of individual GB issues.

The issuance schedule is normally published on a half-yearly basis. It should be noted that the tenors, tender dates, issuance sizes, issue dates, and methods of issuance in the issuance schedule are tentative. The HKMA may make adjustments in light of prevailing market conditions. A revised issuance schedule may be issued where appropriate. Other details of individual issues are to be confirmed and announced at least four business days prior to the scheduled tender dates.

Please click here to view the press release.

HKMA, 30 March 2021

HKMA Quarterly Bulletin and Half-Yearly Monetary and Financial Stability Report (March 2021 Issue)

The HKMA published the March 2021 issue of its Quarterly Bulletin and Half-Yearly Monetary and Financial Stability Report (Half-Yearly Report) on 30 March 2021.

The Quarterly Bulletin carried a feature article, entitled "The Hong Kong Debt Market in 2020." The Half-Yearly Report provided detailed analyses of the global and local economy, as well as the monetary and financial conditions in Hong Kong. It also examined the recent performance and risks of the local banking sector.

Both publications can be downloaded here.

Please click here to view the press release.

HKMA, 30 March 2021

Commencement of the group-wide supervision framework and regulatory regime of insurance-linked securities business

Legislative amendments on the group-wide supervision (GWS) framework and regulatory regime of insurance-linked securities (ILS) business became effective on 29 March 2021.

The GWS framework allows the Insurance Authority (IA) to exercise direct regulatory powers over Hong Kong-incorporated holding companies of insurance groups, in line with international standards set by the International Association of Insurance Supervisors. The legislation will grant the IA regulatory powers at the holding company level for the purposes of setting requirements in relation to capital, regulatory reporting, and public disclosure.

The IA has engaged closely with key industry stakeholders in developing the Guideline on Group Supervision which spells out principles and standards for designated insurance holding companies on a wide range of areas including enterprise risk management, corporate governance, capital requirements and public disclosure.

On regulation of ILS business, the IA has been resolving implementation details by drawing reference from overseas experience while taking into account local circumstances. The Pilot ILS Grant Scheme recently announced by the Financial Secretary will also provide added attraction to potential sponsors, and the first issuance is expected to take place within this year.

Please click here to view the press release.

IA, 29 March 2021

Reform of interest rate benchmarks

In consultation with the Treasury Markets Association (TMA), the HKMA developed in July 2020 the following transition milestones with respect to which authorized institutions (AIs) should endeavor to achieve the following:

- AIs should be in a position to offer product referencing the alternative reference rates (ARRs) to LIBOR from 1 January 2021;
- Adequate fall-back provisions should be included in all newly issued LIBOR-linked contracts that will mature after 2021 from 1 January 2021; and

- AI's should cease to issue new LIBOR-linked products that will mature after 2021 by 30 June 2021 (Third Transition Milestone).

However, in light of the latest developments and taking into account the industry's feedback, in respect of the Third Transition Milestone, the HKMA and the TMA agreed that it is no longer appropriate to stick to the earlier timeline of ceasing to issue new LIBOR-linked products by the end of June. That said, AIs should continue to press ahead with their transition preparations and should cease to issue new LIBOR-linked contracts by the end of this year.

Please click here to view the circular.

HKMA, 25 March 2021

Enhancements to the Special 100 percent Loan Guarantee to Take Effect

HKMC Insurance Limited announced that enhancements to the Special 100 percent Loan Guarantee of the SME Financing Guarantee Scheme (SFGS) will take effect from 29 March 2021.

In order to further alleviate the cash flow pressure of small and medium-sized enterprises, the Financial Secretary announced in the 2021-22 Budget that enhancements will be made to the Special 100 percent Loan Guarantee, and the application period will be extended to 31 December 2021. Eligible enterprises should have been operating for at least three months as at 30 June 2020, and have suffered at least a 30 percent decline in sales turnover in any month since February 2020 compared with the monthly average of any preceding quarter from early 2019 to mid-2020. The maximum amount of loan per enterprise will be raised from the total amount of employee wages and rents for 12 months to that for 18 months, or HK$6 million, whichever is lower. Meanwhile, the maximum repayment period of the guaranteed loans will be increased from five years to eight years, and the principal moratorium arrangement will be extended from up to 12 months to up to 18 months.

Please click here to view the press release.

HKMA, 22 March 2021

Hong Kong Mortgage Corporation Limited (HKMC) Signs Memoranda of Understanding (MoUs) with five partner banks on infrastructure loans framework

The HKMC signed Memorandum of Understanding (MoUs) on infrastructure loans framework with five partner banks.

The MoUs set out the principal terms for potential infrastructure loan cooperation between the HKMC and the partner banks, on both primary participation and secondary sale bases, and including the loan selection criteria, mode of participation and engagement process.

The MoUs could assist the partner banks in identifying infrastructure-related loan assets for the HKMC, and would further the mandates of the HKMC's Infrastructure Financing and Securitization business to fill the infrastructure financing market gaps and to consolidate Hong Kong's position as an infrastructure financing hub. The increased collaboration between the banks and HKMC could provide additional liquidity for international infrastructure financing.

Please click here to view the press release.

HKMA, 22 March 2021

Legislative amendments for implementation of uncertificated securities market regime and

enhancement of over-the-counter derivative regulatory regime gazette

The Government published the Securities and Futures and Companies Legislation (Amendment) Bill 2021 (the Bill) in the Gazette on 19 March 2021.

The Bill seeks to amend the Securities and Futures Ordinance, the Companies Ordinance and other existing legislation to implement a complete uncertificated securities market (USM) regime under a revised operational model, as well as to clarify the scope of regulated activities for the new over-the-counter (OTC) derivative licensing regime.

The proposed USM regime aims to provide a digitalized environment for the holding and transfer of legal title to securities, thus enabling straight-through processing and shortening turnaround time for related processes. The proposed OTC derivative licensing regimes provides carve-out in relation to various types of regulated activities, refines or narrow the scope of a number of regulated activities.

Please click here to view the press release.

FSTB, 19 March 2021

Sixth Issue of Regtech Watch

The HKMA issued the sixth issue of the Regtech Watch.

This issue focused on how technology applications can help authorized institutions manage risks associated with treasury activities, encompassing operational risks, legal risks, liquidity risks and market risks. It illustrated how Regtech may strengthen risk management controls in treasury operations which involve the scrutiny of a large volume of trading data spanning across multiple systems.

You can view the issue here, and the circular here.

HKMA, 19 March 2021

Granting of banking licence to Bank of Dongguan Co., Ltd.

The HKMA announced on 17 March 2021 that it has granted a banking licence to Bank of Dongguan Co., Ltd. (BOD) under the Banking Ordinance (Cap. 155). BOD is incorporated in the People's Republic of China. The granting of this banking licence takes effect on 17 March 2021.

After the granting of a banking licence to BOD, the number of licensed banks in Hong Kong is 162.

Please click here to read the press release.

HKMA, 17 March 2021

Enhanced licensing conditions for licensed money lenders

The Government announced that the Registrar of Money Lenders (Registrar) has sought the approval of the Licensing Court to impose enhanced conditions on all Money Lenders Licences granted or renewed with effect from 16 March 2021.

The enhanced licensing conditions require money lenders, before entering into a loan agreement for an unsecured personal loan, to undertake an assessment of the borrower's ability to make repayments under the loan agreement, and have due regard to the outcome of that affordability assessment.

In addition, two existing licensing conditions have been revised, with a view to enhancing regulation of advertisements of money lenders and protection of loan referees. The revised licensing conditions require that the advertisements published by money lenders should be fair and reasonable and not contain misleading information, and that the referees' information should immediately cease to be used if the money lender is informed or aware that the written consent was, in fact, not signed by the referee

The Registrar also previously introduced a number of administrative measures to strengthen the regulation of money lenders, including the issuance of two sets of guidelines, namely the Guideline on Fit and Proper Criteria for Licensing of Money Lenders and the Guideline on Submission of Business Plan by Applicant of a Money Lenders Licence, on 29 January 2021.

Please click here to view the press release.

FSTB, 16 March 2021

Focused review on incentive systems of front offices in retail banks

As part of the ongoing supervisory work of the HKMA to promote sound culture in the banking sector, the HKMA will conduct a focused review on the incentive systems of front offices in sale and distribution of banking, investment and insurance products of retail banks (Focused Review), building on the insights drawn from the earlier review of self-assessments on bank culture.

The Focused Review aims to dive deeply into a number of specific areas of incentive systems of 20 retail banks. These areas include how the incentive systems of the front offices are designed and implemented, and how they drive behavior of frontline staff and affect customer outcomes, in particular their role in minimizing potential misconduct and mis-selling practices in the sale and distribution of banking, investment and insurance products.

The HKMA will inform the selected banks of the detailed arrangement of the Focused Review separately.

Please click here to view the circular.

HKMA, 16 March 2021

FRC issued overview of the market for listed entity audits in Hong Kong

The FRC issued its first policy and governance report on the Overview of the Market for Listed Entity Audits in Hong Kong (Market Report) on 11 March 2021, which provided high-level insights into how competition operates in the market for listed entity audits in Hong Kong (Market). It includes an analysis of the size and competitive structure of the Market, the relative significance of non-audit to audit services provided to listed entities by their auditors and how these factors have developed from 2010 to 2019.

The Market Report can be accessed here and the press release can be viewed here.

FRC, 11 March 2021

MPFA's statement regarding British National (Overseas) (BNO) passport

Given the announcement by the HKSAR Government on 29 January 2021 that BNO passport was no longer recognized as a valid travel document as well as proof of identity, the MPFA clarified that scheme members cannot rely on BNO passport or its associated visa as evidence in support of an application for early withdrawal of Mandatory Provident Fund (MPF) scheme.

The MPFA pointed out that MPF trustees have the duty to observe Hong Kong laws when handling the administrative matters of MPF schemes. When processing applications for early withdrawal of MPF scheme on the ground of permanent departure from Hong Kong, MPF trustees must act as gate-keeper by reviewing all evidence provided by applicants, and the totality of facts and information.

Please click here to view the press release.

MPFA, 10 March 2021

Circular to licensed corporations and associated entities – anti-money laundering / counter-financing of terrorism

FATF's statement on high-risk jurisdictions subject to a call for action

Further to SFC's circular issued on 9 November 2020, the Financial Action Task Force (FATF) in a statement issued on 25 February 2021 advised its members to refer to the list of high-risk jurisdictions subject to a call for action adopted in February 2020, namely Iran and the Democratic People's Republic of Korea, which can be found here.

Since February 2020, in light of the COVID-19 pandemic, the FATF has paused the review process for countries in the list of high-risk jurisdictions subject to a call for action. While the aforesaid February 2020 statement may not necessarily reflect the most recent status of Iran and the Democratic People's Republic of Korea's AML/CFT regime, the FATF's call for action on these high-risk jurisdictions remain in effect.

FATF's statement on jurisdictions under increased monitoring

In addition, the FATF issued an updated statement on jurisdictions under increased monitoring which can be found here.

The statement sets out the list of jurisdictions that have committed to resolve swiftly strategic deficiencies in their regime to counter money laundering, terrorist financing, and proliferation financing within agreed timeframes and are subject to increased monitoring. The FATF will closely monitor the progress made by these jurisdictions in addressing the identified strategic deficiencies and encourages its members to take into account the information presented in the statement in their risk analysis.

Licensed corporations (LCs) and associated entities (AEs) are reminded to browse the website of the FATF for the latest information.

Outcomes from the FATF Plenary, 22, 24 and 25 February 2021

Further, the FATF also published various other outcomes of its recent plenary which may be of interest to LCs and AEs. They include approval of the public consultation on a new guidance on proliferation financing risk assessment and mitigation as well as an update to the FATF guidance for virtual assets and virtual asset service providers. The two guidance papers will be published for public consultation in March 2021 and are expected to be finalized for plenary approval in June 2021.

Further information on the FATF Plenary's outcomes can be found here.

Please click here to view the circular.

SFC, 5 March 2021

SFC and Police joint operation against suspected ramp-and-dump syndicate

The SFC and the Police conducted a joint operation against an active and sophisticated syndicate suspected of operating ramp-and-dump manipulation schemes. These schemes drove up the share prices of target stocks and induce unwary investors via social media platforms to buy shares at artificially high prices. Syndicates then sold shares in a manner which netted them substantial profits whilst leaving innocent victims with substantial financial losses.

12 People – including those believed to be the ringleaders of the syndicate and their associates – were arrested on 4 March 2021 during a joint search of 27 premises across Hong Kong by more than 160 officers of the SFC and the Police.

The SFC's investigation also highlighted that the vehicles used by the fraudsters to perpetrate ramp and dump schemes are typically small listed companies with a low share price coupled with very thin trading. These companies became targets for fraud as their shares are easier to corner and their share prices could be manipulated with relatively small cash outlays.

Please click here to view the press release.

SFC, 5 March 2021

Enhanced currency conversion arrangement involving onshore RMB (CNY) under Northbound Bond Connect

The China Foreign Exchange Trade System (CFETS) issued a notice on 24 September 2020 on the enhancements to currency conversion and foreign exchange hedging under Bond Connect. The notice stipulated a new arrangement where Bond Connect investors may choose to engage up to three designated settlement banks in Hong Kong to conduct currency conversion and foreign exchange hedging for their RMB exposure in respect of their Bond Connect investments (Enhanced CNY Conversion Service).

Banks that can offer the Enhanced CNY Conversion Service include the RMB Clearing Bank and overseas RMB participating banks in Hong Kong which have been approved by the Mainland authorities to take part in the onshore interbank foreign exchange market (collectively referred to as Hong Kong FX Settlement Banks). Hong Kong FX Settlement Banks shall only provide the Enhanced CNY Conversion Service to investors who are eligible to participate in the Northbound Bond Connect (collectively referred to as Eligible Investors).

Detailed monitoring responsibilities for different Foreign Exchange Settlement Banks are set out in the Circular in order to facilitate the control and monitoring work by the Hong Kong FX Settlement Banks.

In addition, the Hong Kong FX Settlement Banks are required to report the Enhanced CNY Conversion Service transactions to the Trade Repository of the HKMA (HKTR). To allow sufficient time for system adjustments, there will also be a twelve-month transitional period starting from 8 March 2021, during which banks may report transactions under the Enhanced CNY Conversion Service using other specified channels.

The Hong Kong FX Settlement Banks may start providing the Enhanced CNY Conversion Service after the issuance of this circular and after they have the necessary control and system in place to discharge the abovementioned requirements.

Please click here to view the circular.

HKMA, 5 March 2021

Extension of Pre-approved Principal Payment Holiday Scheme for another six months

The HKMA together with the Banking Sector SME Lending Coordination Mechanism (Mechanism) announced that the Pre-approved Principal Payment Holiday Scheme (Scheme) will be extended for another six months to October 2021.

The Mechanism agreed that all principal payments of loans falling due between May and October 2021 by eligible corporate customers will be deferred by another six months except for repayments of trade loans, which will be deferred by 90 days.

For loans which have been extended for 540 days or more cumulatively since first being drawn down (or trade loans which have been extended for 270 days or more cumulatively since first being drawn down), banks can adopt a flexible approach and consider, on a case-by-case basis and subject to prudent risk management principles, whether other forms of relief are more suitable to help the customers ride out the current difficulties.

Similar to the Scheme extension in November 2020, banks will not issue individual notifications to eligible customers regarding the deferment arrangement. Banks may request customers to provide up-to-date operational and financial information when processing their requests.

Please click here to view the press release.

HKMA, 4 March 2021

Data Protection

Privacy Commissioner conducts compliance check as regards the unauthorised access to the email system of Nikkei

The Privacy Commissioner for Personal Data (PCPD) confirmed that it received a data breach notification from Nikkei China (Hong Kong) Limited. The alleged unauthorized access to the email system might involve the leakage of the personal data of over 1,600 customers.

A compliance check was immediately conducted to find out the relevant facts from the company, including whether any Hong Kong customers are affected and the number involved.

The PCPD reminded that organizations must take effective security measures to protect the personal data of their customers.

Click here to read the media statement.

PCPD, 18 March 2021

Privacy Commissioner calls for greater vigilance in relation to phishing emails or messages issued by bogus government departments or banks

The PCPD reinstated that members of the public should avoid disclosing any personal data arbitrarily in order to safeguard their personal data and property.

The PCPD noted a surge in reported fraud cases involving the use of phishing emails or SMS messages issued from sources pretending to be local authorities and banks to lure the public into revealing sensitive personal data, including names, phone numbers, bank account login information, credit card information, health and travel records, etc.

To assist members of the public to stay vigilant in safeguarding personal data, the PCPD provided the following guidance:

- On receipt of suspicious emails or SMS messages: authenticate the identity of the sender of the email or message, avoid opening attachments or clicking links related to unknown sources, etc.
- On the use of online personal accounts: monitor the movements of online personal accounts from time to time, use complex passwords for the accounts, watch out for records of unusual activities, etc.
- On the use of electronic equipment: install appropriate anti-virus software, avoid using public devices to login online personal accounts, etc.

Click here to read the media statement.

PCPD, 12 March 2021

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