

29 January 2026

## **Circular to licensed corporations**

### **Reminder of statutory obligations during SFC inspections to comply with section 180 of the Securities and Futures Ordinance (SFO)**

1. The Securities and Futures Commission (SFC) has recently observed during its inspections that some licensed corporations (LCs) engaged in unsatisfactory practices and behaviours which appeared to stem from a misunderstanding of the SFO or a lack of awareness regarding LCs' statutory obligations. They also fell short of the expected standards of conduct for LCs and, in some cases, obstructed the SFC's supervisory efforts, thereby undermining market integrity.
2. This circular reminds LCs to fully cooperate with the SFC and duly comply with their statutory obligations when the SFC inspects LCs under section 180 of the SFO. Upon being licensed, all LCs fall under the purview of the SFC's supervision and are obliged to undergo its inspections under section 180 of the SFO. LCs are therefore expected to be prepared for an inspection by the SFC, retrieve any relevant information required by the SFC, and respond to inspection inquiries in a timely manner.
3. For details, LCs should refer to the [Appendix](#) to this circular, which highlights examples of unsatisfactory practices and behaviours observed, reiterates their statutory obligations, and clarifies their expected standards of conduct throughout the inspection process. These include statutory obligations and standards of conduct in relation to:
  - (a) giving access to any record or document requested as part of the SFC's inspection, and answering any related question;
  - (b) maintaining proper records and retrieving them upon inspection inquiries being made without undue delay;
  - (c) ensuring the availability of responsible officers to participate in the inspection process;
  - (d) remaining fit and proper, and being cooperative with the SFC during an inspection; and
  - (e) remaining fully responsible and accountable to the SFC for the conduct of any external representatives handling inspection matters.

### **Consequence of failure to cooperate or non-compliance**

4. The SFC takes any breaches of section 180 of the SFO seriously. Where any person attempts to impede the SFC's conduct of inspections, including instances where these attempts render the SFC unable to ascertain an LC's compliance with section 180(2) of the SFO, the SFC will not hesitate to exercise its powers under the SFO to take appropriate regulatory actions, including but not limited to:

(a) Supervisory interventions, which may include:

- (i) imposing conditions on an LC's licence as may be reasonable in the circumstances<sup>1</sup>, or limiting the LC's business and activities where appropriate<sup>2</sup> (eg, prohibiting certain transactions, suspending the onboarding of new clients, or limiting dealings with property);
- (ii) fully evaluating any concerns regarding the fitness and properness of both the LC and its management personnel and how these concerns impact the LC's existing business, or any proposed changes to or expansion of its business and personnel; and
- (iii) referring our concerns to other relevant regulatory authorities in Hong Kong, Chinese Mainland and overseas markets to assess if coordinated regulatory actions are warranted; or

(b) Enforcement actions, which may include:

- (i) initiating criminal proceedings for contravention of the stipulated requirements (see paragraph 3.1(b) of the Appendix to this circular); and
- (ii) taking appropriate disciplinary actions (eg, licence revocation or suspension, pecuniary penalty and reprimand) pursuant to section 194 of the SFO against the LC and its management personnel concerned (see paragraph 4 of the Appendix to this circular).

5. To this end, the SFC will call on the Manager-In-Charge (MIC) of the Overall Management Oversight (OMO) function at an LC, supported by the MIC of the Compliance function, to exercise robust oversight and proactive leadership in ensuring the LC's full cooperation and compliance throughout the SFC's inspection process. The MIC of the OMO function and persons who attempt to impede the SFC's inspection will be held accountable and could be subject to the above regulatory actions.

### **Inspections outside of the SFO regime**

- 6. For inspections carried out under statutory provisions other than the SFO, the SFC will apply similar regulatory principles and expected standards set out in the circular. These include the SFC's inspections on SFC-licensed virtual asset service providers and associated entities under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, and its inspections on Mandatory Provident Fund (MPF) intermediaries of which the SFC is the frontline regulator, under the Mandatory Provident Fund Schemes Ordinance.
- 7. The SFC will continue to maintain ongoing dialogue with LCs and adopt a pragmatic approach during its inspections. In exceptional cases where an LC requires additional time to gather information and respond to inspection inquiries, it should promptly notify

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<sup>1</sup> Section 116 of the SFO.

<sup>2</sup> Sections 204, 205, and 206 of the SFO.



the SFC, clearly articulate its reasons, and submit a proposed new timeline for the SFC's review and approval.

8. Should you have any queries regarding this circular, please contact your case officers-in-charge.

Intermediaries Division  
Securities and Futures Commission

Enclosure

End

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