

Summary of Licensing Information

1. Regulated Activities

- ▶ The Securities and Futures Ordinance stipulates 10 types of regulated activities (“RA”)

- ! Type 1 Dealing in securities
- ! Type 2 Dealing in futures contracts
- ! Type 3 Leveraged foreign exchange trading
- ! Type 4 Advising on securities
- ! Type 5 Advising on futures contracts
- ! Type 6 Advising on corporate finance
- ! Type 7 Providing automated trading services
- ! Type 8 Securities margin financing
- ! Type 9 Asset management
- ! Type 10 Providing credit rating services

- ▶ Application fees:

Type of application	Type of RA	Application fee (HKD)
Licensed Corporation	1, 2, 4, 5, 6, 7, 8, 9, 10	4,740 per RA
	3	129,730
Licensed Representative	1, 2, 4, 5, 6, 7, 8, 9, 10	1,790 per RA
	3	2,420
Provisional Licensed Representative	Not applicable	800 per application, payable on top of the application fee
Temporary Licensed Representative	1,2,4,5,6,10	1,850 per RA
Approval to become Responsible Officer	1 through 10	2,950 per RA

- ▶ Annual fees:

Type of application	Type of RA	Annual fee (HKD)
Licensed Corporation	1, 2, 4, 5, 6, 7, 8, 9, 10	4,740 per RA
	3	129,730
Licensed Representative	1, 2, 4, 5, 6, 7, 8, 9, 10	1,790 per RA
	3	2,420
Responsible Officer	1, 2, 4, 5, 6, 7, 8, 9, 10	4,740 per RA
	3	5,370

2. General Fit and Proper Criteria

- ▶ Financial status;
- ▶ Educational or other qualifications or experience having regard to the nature of the functions to be performed;
- ▶ Ability to perform such functions efficiently, honestly and fairly; and
- ▶ Reputation, character, financial integrity and reliability.

3. Company

- ▶ The Company must be a company incorporated in Hong Kong or overseas company.
- ▶ Sole proprietorship or partnership is not an acceptable form of business structure for the purposes of licensing.
- ▶ The Company must appoint a complaints officer and emergency contact person.
- ▶ Licensed corporations engaged in RA Type 1, 2 or 8 are required to take out and maintain a master insurance policy against specific risks for a specified amount.
- ▶ The Company must prepare a business plan, detailing the nature and scope of business and types and sources of customers.

- ▶ The Company must maintain an operational manual and internal control procedures manual.

4. Financial Resources

- ▶ The Company must maintain the minimum paid-up share capital and minimum liquid capital requirement at all times.
- ▶ If the Company is engaged in more than one regulated activity, the higher/highest amount shall be maintained.
- ▶ The minimum paid-up capital and minimum liquid capital amounts are listed as follows:

Regulated Activity	Minimum Paid-Up Share Capital (HKD)	Minimum Liquid Capital (HKD)
Type 1	5,000,000	3,000,000
In the case where the corporation provides securities margin financing	10,000,000	3,000,000
In the case where the corporation is an approved introducing agent or trader	Not Applicable	500,000
Type 2	5,000,000	3,000,000
In the case where the corporation is an approved introducing agent, futures non-clearing dealer or trader	Not Applicable	500,000
Type 3	30,000,000	15,000,000
In the case where the corporation is an approved introducing agent	5,000,000	3,000,000
Type 4	5,000,000	3,000,000
If the corporation is subject to the licensing condition that it shall not hold client assets	Not Applicable	100,000
Type 5	5,000,000	3,000,000
If the corporation is subject to the licensing condition that it shall not hold client assets	Not Applicable	100,000
Type 6		
If the corporation does <u>not</u> act as sponsor and:		
<ul style="list-style-type: none"> • Is <u>not</u> subject to the licensing condition that it shall not hold client assets 	5,000,000	3,000,000
<ul style="list-style-type: none"> • Is subject to the licensing condition that it shall not hold client assets 	Not Applicable	100,000
If the corporation acts as a sponsor and:		
<ul style="list-style-type: none"> • Is <u>not</u> subject to the licensing condition that it shall not hold client assets 	10,000,000	3,000,000
<ul style="list-style-type: none"> • Is subject to the licensing condition that it shall not hold client assets 	10,000,000	100,000
Type 7	5,000,000	3,000,000
Type 8	10,000,000	3,000,000

Type 9	5,000,000	3,000,000
If the corporation is subject to the licensing condition that it shall not hold client assets	Not Applicable	100,000
Type 10	5,000,000	3,000,000
If the corporation is subject to the licensing condition that it shall not hold client assets	Not Applicable	100,000

5. Responsible Officers

- ▶ At least 2 responsible officers must be appointed to directly supervise the conduct of each regulated activity.
- ▶ At least one of responsible officers must be an executive director and available at all times to supervise the business.
- ▶ The responsible officer must meet the competence test which is defined as follows:

Basic elements			Can be compensated by
(1)	Academic / industry qualification	Passed one of the recognized industry qualifications	<ul style="list-style-type: none"> ❖ Degree in Accounting, Business Administration, Economics, Finance or Law; or other degree (with passes in at least two courses in the above disciplines); or ❖ Internationally recognized professional qualifications in Law, Accounting or Finance¹⁴; or ❖ Passes in English or Chinese, and Mathematics in Hong Kong Certificate of Education Examination ("HKCEE") or equivalent¹⁵ plus an additional 2 years of relevant industry experience¹⁶; or ❖ An additional 5 years relevant industry experience.
(2)	Industry experience	Possesses 3 years of relevant industry experience over the 6 years immediately prior to the date of application	Not applicable
(3)	Management experience	Has a minimum of 2 years' proven management skill and experience	Not applicable
(4)	Regulatory knowledge	Passed one of the recognized local regulatory framework papers	Applicant may apply for exemption from taking the recognized local regulatory framework paper if he satisfies the exemption criteria as set out in Appendix E of the <i>Guidelines on Competence</i> .

6. Licensed Representatives

- The licensed representative must meet the competence test which is defined as follows:

Basic elements			Can be compensated by
(1)	Academic qualification	Passes in English or Chinese, and Mathematics in HKCEE or equivalent ¹⁵	<ul style="list-style-type: none"> ❖ Degree in Accounting, Business Administration, Economics, Finance or Law; or other degree (with passes in at least two courses in the above disciplines); or ❖ Internationally recognized professional qualifications in Law, Accounting or Finance¹⁴; or ❖ An additional 2 years of relevant industry experience for lacking either (1) or (2); or ❖ An additional 5 years of relevant industry experience for lacking both (1) and (2).
(2)	Industry qualification	Passed one of the recognized industry qualifications	
(3)	Regulatory knowledge	Passed one of the recognized local regulatory framework papers	Applicant may apply for exemption from taking the recognized local regulatory framework paper if he satisfies the exemption criteria as set out in Appendix E of the <i>Guidelines on Competence</i> .

- A person could apply for a provisional licence to carry on regulated activity as a representative if it is satisfied the fit and proper test and that the grant of the provisional licence will not prejudice the interest of the investing public. The provisional licence would be revoked once the application to be a normal licensed representative is approved or refused, whichever first occurs.

7. Licensed Examination for Securities and Futures Intermediaries (LE)

- ▶ The Exam has been recognized by the SFC for registration as Representatives and/or Responsible Officers. The following table outlines the papers approved by the SFC as recognized industry qualifications and local regulatory framework papers:

Responsible Officers

	Regulated Activity	Recognised Industry Qualifications	Local Regulatory Framework Papers
Type 1	Dealing in Securities	LE Papers 7+8	LE Papers 1*+2
Type 2	Dealing in Futures Contracts	LE Papers 7+9	LE Papers 1*+3
Type 4	Advising on Securities	LE Papers 7+8	LE Papers 1*+2
Type 5	Advising on Futures Contracts	LE Papers 7+9	LE Papers 1*+3
Type 6	Advising on Corporate Finance	LE Papers 7+11	LE Papers 1*+5
Type 8	Securities Margin Financing	LE Papers 7+8	LE Papers 1*+2
Type 9	Asset Management	LE Papers 7+12	LE Papers 1*+6
Type 10	Providing Credit Rating Services	LE Papers 7+10	LE Papers 1*+4

Representatives

	Regulated Activity	Recognised Industry Qualifications	Local Regulatory Framework Papers
Type 1	Dealing in Securities	LE Papers 7+8	LE Paper 1
Type 2	Dealing in Futures Contracts	LE Papers 7+9	LE Paper 1
Type 4	Advising on Securities	LE Papers 7+8	LE Paper 1
Type 5	Advising on Futures Contracts	LE Papers 7+9	LE Paper 1
Type 6	Advising on Corporate Finance	LE Papers 7+11	LE Paper 1
Type 8	Securities Margin Financing	LE Papers 7+8	LE Paper 1
Type 9	Asset Management	LE Papers 7+12	LE Paper 1
Type 10	Providing Credit Rating Services	LE Papers 7+10	LE Paper 1

* Not required for a licensed representative applying to be a responsible officer.

- ▶ All examination papers will be offered in both English and Chinese.
- ▶ All questions are compulsory and will be set in multiple-choice (MC) format. The passing mark is 70%.

Examination Papers	No. of Questions (MCQ)	Duration (minutes)	Pass Mark (%)
Paper 1 Fundamentals of Securities and Futures Regulation	60	90	70
Paper 2 Regulation of Securities	40	60	70
Paper 3 Regulation of Derivatives	40	60	70
Paper 4 Regulation of Credit Rating Services	40	60	70
Paper 5 Regulation of Corporate Finance	40	60	70
Paper 6 Regulation of Asset Management	40	60	70
Paper 7 Financial Markets	60	90	70
Paper 8 Securities	40	60	70
Paper 9 Derivatives	40	60	70
Paper 10 Credit Rating Services	40	60	70
Paper 11 Corporate Finance	40	90	70
Paper 12 Asset Management	40	60	70

Should you have any queries or require any further information, please do not hesitate to contact us.

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