



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C & G16/1C

10 August 2018

The Chief Executive
All Registered Institutions

Dear Sir / Madam,

**Circular Issued by the Securities and Futures Commission (“SFC”) on
Margin Financing Activities Disguised as Investments**

I am writing to draw your attention to the attached circular issued by the SFC (“the Circular”), which warns against facilitating the setting up or operation of securities margin financing arrangements by unlicensed persons to circumvent regulatory requirements.

The SFC has observed that some licensed corporations carrying on asset management activities may have aided and abetted unlicensed affiliates or third parties to provide securities margin financing in the guise of investments. The SFC warns that the provision of margin financing in the guise of investments under such an arrangement is illegal. Registered institutions should pay attention to the issues highlighted in the Circular and be mindful that aiding and abetting the conduct of illegal activities may also call into question the fitness and properness of a licensed/registered person.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

Encl.

c.c. SFC (Attn: Ms Julia Leung, Deputy Chief Executive Officer and
Executive Director (Intermediaries))