

Appendix 3(a)
(Paragraph 3.18)

Division of regulatory responsibilities for AIs' securities business under the Memorandum of Understanding between the HKMA and the SFC		
	HKMA	SFC
Registration		
Institutional registration	<ul style="list-style-type: none"> ● To consider applications for registration by AIs for the carrying on of regulated activities ● To advise the SFC on whether the applicant is fit and proper to be registered 	<ul style="list-style-type: none"> ● To grant, or refuse to grant, registration to AIs as registered institutions for the carrying on of regulated activities ● To maintain a register of registered institutions (including details of their executive officers) and to make the register available for public inspection
Executive officers	<ul style="list-style-type: none"> ● To give, or refuse to give, consent to individuals to be executive officers of registered institutions 	<ul style="list-style-type: none"> ● The public register maintained by the SFC should include details of the executive officers of registered institutions
Relevant individuals	<ul style="list-style-type: none"> ● To maintain a register of relevant individuals (including executives officers) and to make the register available for public inspection 	

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Regulatory and supervisory processes		
Developing rules, codes and guidelines	<ul style="list-style-type: none"> ● To be responsible for making guidelines under the BO ● To consult the SFC in so far as such guidelines apply to registered institutions 	<ul style="list-style-type: none"> ● To be responsible for making rules and publishing codes and guidelines under the SFO ● To consult the HKMA in so far as such rules, codes and guidelines apply to AIs by reason of their being registered institutions
Exercising supervisory functions	<ul style="list-style-type: none"> ● To be the frontline supervisor of registered institutions ● To be responsible for the day-to-day supervision of registered institutions 	<ul style="list-style-type: none"> ● To consult the HKMA before exercising its powers of supervision under s.180 of the SFO in relation to an AI
Complaints		
Complaint referral	<ul style="list-style-type: none"> ● To refer complaints to the SFC whenever they are considered by the HKMA to be relevant to a matter that the SFC can investigate under s.182 of the SFO (e.g. an offence under the SFO or market misconduct) or to relate to the SFC's functions under the SFO 	<ul style="list-style-type: none"> ● To refer to the HKMA complaints concerning any registered institution, any executive officer of a registered institution, any member of the management of a registered institution, and any relevant individual

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Investigation		
Conducting investigations and sharing of results	<p>For potential disciplinary cases identified:</p> <ul style="list-style-type: none"> ● to open a case for investigation ● to notify the SFC ● to keep the SFC informed of the progress ● to forward to the SFC a copy of the investigation report, together with the HKMA's conclusions ● to report any related matter to the SFC before completing the investigation where considered appropriate 	<ul style="list-style-type: none"> ● To consult the HKMA before exercising its power to initiate an investigation under s.182(1)(e) of the SFO ● To share the investigation findings with the HKMA
Disciplinary action		
Consultation prior to disciplinary action	<p>To consult the SFC before exercising its power to:</p> <ul style="list-style-type: none"> ● withdraw or suspend any consent given to a person to be an executive officer of a registered institution ● remove or suspend the registration of a relevant individual 	<p>To consult the HKMA before exercising its power to:</p> <ul style="list-style-type: none"> ● suspend or revoke a registered institution's registration ● reprimand, fine or issue a prohibition order against a registered institution, any of its executive officers, any member of its management involved in the carrying on of a regulated activity or any of its staff who is registered as a relevant individual

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Appeals		
Conducting appeals	<ul style="list-style-type: none"> ● To be responsible for conducting appeals against a decision of the HKMA ● To consult the SFC during the course of any appeal where considered appropriate 	<ul style="list-style-type: none"> ● To be responsible for conducting appeals against a decision of the SFC ● To consult the HKMA during the course of any appeal where considered appropriate

Source: Based on Table 2 of HKMA Review Report.