

**Required liquid capital deficit incident report<sup>40</sup>**

<b>Part A: Contact person for this incident report</b>	
1) Name	
2) Department and position	
3) Firm name (including CE reference number)	
4) Telephone number	
5) Email address	

<b>Part B: Key events of the required liquid capital deficit (RLC deficit) incident</b>	
1) Please specify the date on which your firm first became aware of the incident.	
2) Please specify the date on which your firm first notified the SFC of the incident.	
3) Please explain how the RLC deficit was identified.	
4) Please elaborate on whether and if so, what immediate action has been taken upon the discovery of the incident.	
5) If the RLC deficit has been rectified, please specify the actions taken to improve your firm's liquid capital and the date on which the RLC deficit was rectified. Please also submit the relevant supporting evidence for our assessment.	
6) If the RLC deficit has not been rectified, please explain what has been causing the delay and when your firm's liquid capital will be restored to a level above your firm's required liquid capital.	

<sup>40</sup> The incident report template is available for download on the SFC's WINGS webpage.

<p>7) Please specify the period during which the incident occurred.</p> <p>Note: Your firm is expected to conduct a comprehensive lookback review to accurately identify the incident period.</p> <p>If the RLC deficit has not been rectified, please indicate the date on which it first occurred and clarify that it is an ongoing deficit.</p>		
<p>8) Please provide the following liquid capital information</p>		
<p><b>Details</b></p>	<p><b>Figures as at the date when the RLC deficit first occurred</b></p>	<p><b>Figures as at the date when the RLC deficit was rectified</b></p>
<p>Your firm's liquid capital (HK\$'000)</p>		
<p>Your firm's required liquid capital (HK\$'000)</p>		
<p>Your firm's RLC deficit / excess liquid capital (HK\$'000)</p>		
<p>9) Please specify whether this incident has or had any impact on your firm's clients and operations. If so, please provide details.</p>		
<p>10) Please specify whether your firm has received any enquiry or complaint in relation to this incident from your clients. If so, please provide details.</p>		

<b>Part C: Governance and internal controls at the time of the incident</b>	
<p>1) Please provide the name and job title of person(s) responsible for overseeing your firm's internal controls for compliance with the Securities and Futures (Financial Resources) Rules (FRR)</p>	
<p>2) Please elaborate on the relevant controls for liquid capital calculation, monitoring and reporting including the following procedures:</p> <ul style="list-style-type: none"> <li>a. maker and checker mechanism;</li> <li>b. frequency of liquid capital computation and monitoring;</li> <li>c. frequency of liquid capital projection and the time horizon of such projection;</li> <li>d. alerts based on liquid capital levels and material decreases in liquid capital, including the criteria used to determine the thresholds for these alerts; and</li> <li>e. escalation procedures.</li> </ul>	
<p>3) For each staff responsible for liquid capital calculation, monitoring or reporting, please provide the following information:</p> <ul style="list-style-type: none"> <li>a. full name;</li> <li>b. job title; and</li> <li>c. the respective role and duties.</li> </ul>	

<b>Part D: Self-assessment on the incident and remedial measures</b>	
<p>1) Please elaborate on the root cause of the incident, and any other control deficiencies identified in relation to this incident.</p> <p>Your firm's assessment should, at a minimum, include a review of the effectiveness of the following areas:</p> <ul style="list-style-type: none"> <li>a. governance;</li> <li>b. procedures; and</li> <li>c. resources deployment.</li> </ul>	
<p>2) Please provide details on the remedial measures that have been or will be implemented, and explain how these measures are expected to enhance your firm's liquid capital monitoring and mitigate the risk of incurring another RLC deficit.</p> <p>For each remedial measure, please also provide the completion date or expected completion date.</p>	
<p>3) Your firm is expected to provide or arrange additional FRR compliance training to the designated RO or MIC as well as the relevant staff as part of the remedial measures. Please provide the relevant information and document of the training, including:</p> <ul style="list-style-type: none"> <li>a. the name of the training provider;</li> <li>b. a description of the training content;</li> <li>c. attendance records/ expected attendees with their names, job titles and roles; and</li> <li>d. the completion date/ expected date of completion.</li> </ul>	