

22 May 2026

Circular to licensed corporations

Expected controls for account opening and maintaining relationships with clients

The Securities and Futures Commission (**SFC**) recently reviewed the account opening practices of 12 licensed securities brokers (**Review**) and have identified, among other things, significant deficiencies in due diligence on account opening documentation, and due diligence and ongoing monitoring of cross-border correspondent relationships (**CBCR**) with overseas intermediaries.

Notably, the Review found that some brokers accepted questionable or forged documents from their clients during the account opening process and failed to identify red flags and irregularities during due diligence and ongoing monitoring of the CBCR with overseas intermediaries. This raises serious concerns about clients' intentions, including the potential misuse of accounts for suspicious or illicit transactions, and exposed the licensed corporations (**LCs**) to heightened money laundering and terrorist financing risks. In fact, some of these accounts were later involved in suspicious fund transfers without trading activity.

Therefore, LCs must be vigilant against red flags such as accounts used solely as depositories of funds which remain inactive after all funds were withdrawn, frequent changes in bank account, shared bank accounts or addresses among unrelated clients¹, and profiles of clients of overseas intermediaries that are not aligned with the intermediaries' jurisdiction or typical client base.

The SFC issues this circular to remind LCs about the deficiencies identified in the Review and the standards expected of them, as well as additional measures for opening and managing clients' investment accounts.

The deficiencies identified in the Review and the standards expected of LCs are set out in **Appendix A** to this circular. Among others, LCs should conduct an internal review as soon as practicable to detect if any questionable or forged documents have been accepted for account opening, in accordance with item 1 of **Appendix A** to this circular and close the accounts that have been involved in the use of questionable or forged documents.

The SFC is deeply concerned about certain brokers' inadequate due diligence in account opening and has zero tolerance for the use of questionable or forged documents in client onboarding or in maintaining ongoing client relationships by LCs. The SFC will take supervisory actions against non-compliant brokers, including requiring internal control and look-back reviews by external consultants, imposing licensing conditions² to restrict their business activities, and taking enforcement actions as appropriate.

¹ Please refer to the SFC's [circular](#) "Detection and prevention of potential layering activities in money laundering" and [press release](#) "SFC urges licensed firms to detect and prevent potential layering activities in money laundering", both issued on 17 November 2025.

² Pursuant to section 116(6) of the Securities and Futures Ordinance (**SFO**), a licence granted under section 116(1) of the SFO shall be subject to such reasonable conditions as the SFC may impose, and the SFC may at any time, by notice in writing served on the LC concerned, amend or revoke such condition or impose new conditions as may be reasonable in the circumstances.



Additional measures for opening and managing investment accounts of Chinese Mainland Investors

As most questionable or forged documents identified in the Review involved accounts belonging to Chinese Mainland investors and, having considered the associated business, regulatory, and reputational risks that an LC may face, **Appendix B** to this circular sets out the additional measures required for LCs when opening and managing such accounts. These include conducting reviews upon the SFC's request, closure of investment accounts that were opened with the use of questionable or forged documents, closure of zero-balance dormant investment accounts to mitigate potential risk of these accounts being exploited by illicit actors to conduct illegal activities, as well as additional measures required of all LCs when opening new investment accounts for Chinese Mainland investors, such as investor declarations.

A set of frequently asked questions is also enclosed in **Appendix C** to assist LCs' implementation of the controls and measures in this circular.

Providing services to investors outside Hong Kong

When providing services to investors outside Hong Kong, either directly by LCs, or through affiliates, third-party service providers or intermediaries outside Hong Kong, LCs must comply with all relevant legal and regulatory requirements in both Hong Kong and the applicable jurisdictions. LCs should not engage in or facilitate any illegal activities when providing services to investors outside Hong Kong. In particular, LCs should take note of the notice³ jointly issued by the CSRC and other Chinese Mainland authorities on 22 May 2026, which specifies the remediation plans for certain illegal cross-boundary securities, futures, and investment fund-related activities conducted on the Chinese Mainland. LCs are reminded that any breaches of applicable regulatory requirements in jurisdictions outside Hong Kong may constitute non-compliance with paragraph 12.1 of the Code of Conduct⁴, which may result in supervisory or enforcement actions taken by the SFC. Material breaches must be reported to the SFC immediately⁵.

Senior management responsibilities

Senior management are ultimately responsible for ensuring appropriate standards of conduct and robust internal control systems for account opening and maintaining relationships with clients, preventing the acceptance of questionable or forged documents, and maintaining full compliance with applicable regulatory requirements⁶.

Senior management should promptly address the issues raised in this circular, strengthen LCs' controls, and ensure all staff members receive proper training to perform their duties effectively⁷. Failure to fulfil these responsibilities may call into question the fitness and properness of an LC and its senior management, and may result in supervisory or enforcement action taken by the SFC.

³ Please refer to the [webpage](#) of the China Securities Regulatory Commission (**CSRC**) (Chinese only).

⁴ Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**).

⁵ Paragraph 12.5(a) of the Code of Conduct.

⁶ General Principle 9 of the Code of Conduct.

⁷ Paragraph III.3 of the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC.



The SFC will continue to monitor LCs' compliance through off-site monitoring, on-site inspections and thematic reviews. We will also collaborate with regulatory authorities in other jurisdictions to address misconduct in the industry in accordance with the memoranda of understanding signed with them.

Should you have any questions regarding this circular, please contact your case officers in the Intermediaries Division.

Intermediaries Division
Securities and Futures Commission

Enclosure

End

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