

# SFC Regulations on Business Continuity Plans



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As a licensed corporation (LC) under the Securities and Futures Commission (SFC) in Hong Kong, maintaining robust operational resilience is paramount to safeguarding client interests, ensuring regulatory compliance, and mitigating disruptions from unforeseen events.

Business Continuity Plans (BCPs) are a core regulatory requirement, designed to enable firms to continue critical operations during crises such as pandemics, cyberattacks, or natural disasters. This guide explores the SFC's regulations on BCPs, their implications for all LCs, and practical steps to achieve compliance.

## Why It Matters

In an increasingly volatile environment, business disruptions can severely impact financial operations, erode investor confidence, and lead to regulatory penalties. The SFC has repeatedly emphasized the importance of BCPs in response to real-world events, such as the COVID-19 pandemic, which highlighted vulnerabilities in remote working and staff shortages. For LCs, ineffective BCPs can result in operational disruptions, client service failures, or breaches of regulatory obligations – amplifying risks in areas like compliance, risk management, and internal controls. Proactive BCP implementation not only meets SFC expectations but also enhances business resilience, protects client assets, and demonstrates a commitment to operational integrity—key factors for attracting and retaining clients in Hong Kong's competitive financial services market.

## SFC Business Continuity Plan Requirements

The SFC's Code of Conduct requires LCs to maintain robust business continuity and disaster recovery plans, aligned with supporting guidance such as the Management, Supervision and Internal Control Guidelines.

Standard BCP requirements include:

- **Governance:** Senior management, including Managers-in-Charge (MIC), must oversee BCP development, ensuring clear roles and accountability.
- **Risk Assessment:** Identify threats, assess impacts on critical functions (e.g., trading, AML), and plan for disruptions like IT failures or staff shortages, including remote work provisions.
- **Testing and Updates:** Conduct regular simulations, review plans annually or post-incident, and incorporate lessons learned (e.g., from cyber security breaches).
- **Notification:** Immediately inform the SFC when invoking a BCP, especially if it impacts regulatory obligations like record-keeping or client services.
- **Compliance Integration:** Align BCPs with AML/CFT, cyber security, and climate risk measures for comprehensive resilience.

Meeting these requirements is essential not only for regulatory compliance but also for safeguarding client interests and ensuring operational stability during disruptions. These regulatory expectations provide the foundation for effective business continuity strategies that licensed corporations must tailor to their unique risk profiles.

## Market Practices for Business Continuity Plan Procedures

Based on SFC guidance and industry practices developed after COVID-19, LCs in Hong Kong should adopt the following BCP strategies:

- **Governance:** Designate a MIC to oversee BCP, review risk tolerance annually, and allocate resources for remote operations, maintaining minimal office presence for critical functions like trading and using split-team setups.
- **Risk Assessment:** Identify critical functions and disruptions (e.g., cyber incidents, staff shortages), map third-party vendor dependencies, and use scenario analysis with backup data centers and alternative providers.
- **Testing and Training:** Conduct quarterly phishing simulations, annual BCP drills, and staff training on remote protocols. Integrate cyber security measures (e.g., multi-factor authentication) and establish incident management with prompt SFC notification.
- **Remote Working:** Implement secure VPNs, prohibit personal device data storage, enhance off-premises surveillance, and digitize records to ensure compliance and data security.
- **Self-Assessment:** Use SFC's self-assessment questions to evaluate BCPs, update emergency contacts, back up data, and engage external auditors for independent reviews.

By aligning with these best practices, LCs can strengthen their operational resilience and ensure compliance with the SFC's expectations in an increasingly complex risk environment.

## How Waystone Can Help

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