

Hong Kong SFC Circular on Account Opening Controls: Key Compliance Measures for Chinese Mainland Investor Accounts



Leo Wong

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On 22 May 2026, the Hong Kong Securities and Futures Commission (SFC) issued an important [circular](#) titled “Expected controls for account opening and maintaining relationships with clients.”

What the Hong Kong SFC Circular Means for Licensed Corporations

The circular reflects heightened regulatory scrutiny of anti-money laundering (AML), counter-financing of terrorism (CFT), and cross-border risks in Hong Kong’s securities industry.

The circular follows a thematic review of account opening practices at 12 licensed securities brokers. It identifies deficiencies in due diligence, reinforces the SFC’s zero-tolerance approach to questionable or forged documents, and introduces enhanced measures, particularly for accounts held by Chinese Mainland investors. It was issued alongside a broader regulatory crackdown by the China Securities Regulatory Commission (CSRC) and other authorities on alleged illegal cross-border securities activities involving platforms such as Futu, Tiger Brokers, and Longbridge.

This article highlights the key points from the SFC circular and sets out practical recommendations for licensed corporations and licensed individuals to strengthen account opening controls, manage cross-border risk, and maintain compliance in Hong Kong.

Key SFC Findings on Account Opening Controls and Our Compliance Recommendations

The SFC’s review identified significant deficiencies in the following areas:

- Due diligence performed on account opening documentation
- Due diligence and ongoing monitoring of cross-border correspondent relationships with overseas intermediaries
- Controls designed to prevent the facilitation of illegal cross-boundary securities, futures, and investment fund-related activities in Mainland China.

Key issues and red flags identified by the SFC included:

- Acceptance of questionable or forged documents

- Failure to identify red flags, including:
 - Dormant accounts used solely as fund depositories
 - Frequent changes to linked bank accounts
 - Shared addresses or bank accounts among unrelated clients
 - Client profiles that did not align with the introducer's jurisdiction or expected client base
 - Accounts showing suspicious fund flows without corresponding trading activity, raising serious AML/CFT concerns.

The circular also emphasises compliance when serving investors outside Hong Kong, with specific reference to the concurrent CSRC notice on illegal cross-border activities.

Additional SFC Measures for Opening New Investment Accounts for Chinese Mainland Investors

In response to the issues and red flags highlighted, the following measures and recommendations have been outlined to strengthen compliance and mitigate risks associated with opening new investment accounts for Chinese Mainland investors:

- **Obtain written investor declarations** – Confirm that the funds supporting investment activity and settlement originate from lawful sources outside Mainland China.
- **Fund deposits and withdrawals** – Require settlements, fund deposits, and withdrawals to be made exclusively through bank accounts in the client's own name held with eligible banks in Hong Kong or in another eligible jurisdiction supervised by an appropriate banking regulator.
- **Heightened scrutiny during onboarding** – This should include:
 - Verification of source of funds and source of wealth
 - Internal controls to identify questionable or forged documents and detect the red flags outlined above.
- **Strengthen client due diligence processes** – Implement multi-layered verification processes, such as cross-checks against other client documents and the use of digital tools for document authentication, and enhance staff training on account opening procedures, particularly for clients from Mainland China.
- **Align with broader AML/CFT obligations** – Ensure account opening and client management controls do not facilitate activities that are unlawful in the client's home jurisdiction.
- **Review and update account opening workflows** – Introduce mandatory declaration templates and bank account verification protocols.
 - Use caution when considering AI tools in onboarding workflows, particularly where they may involve access to, or exposure of, clients' personal information
 - Monitor for indicators of round-tripping or regulatory arbitrage.

Additional SFC Measures for Existing Investment Accounts of Chinese Mainland Investors

To further enhance compliance and risk management for investment accounts held by Chinese Mainland investors, the following additional SFC measures should be considered and implemented:

- **Closure of client accounts** – Close client investment accounts in accordance with items (ii) to (vii) of Measure 1 in Appendix B to the circular, including where:
 - The client's funding sources are subsequently found to be unlawful or in breach of Mainland China's capital control requirements.
 - The client's account is found to have been opened using questionable or forged documents.

- The client's account is a zero-balance dormant account as of 22 May 2026, or another date specified by the SFC, and has had no client-initiated activity in the 12 months preceding that reference date.
- **Strengthen ongoing client due diligence** – Implement robust, multi-layered verification processes, including cross-checks against client records, document authentication controls, and periodic transaction pattern reviews. Staff training should also be enhanced, with a particular focus on account opening controls and the specific risk indicators associated with clients from Mainland China.
- **Conduct a look-back exercise** – We recommend that clients conduct an internal review, even where the SFC has not separately requested one, broadly aligned with Measure 1 and Measure 2 of Appendix B to identify accounts opened using questionable or forged documents, close those accounts promptly, and document the rationale. For selected licensed corporations, the review may be mandatory and may need to be conducted with the support of an external consultant.
- **Red flag monitoring** – Update policies and procedures to identify indicators such as inactive trading accounts with large inflows or outflows, mismatched client profiles, or shared details among unrelated parties.
- **Record-keeping and reporting** – Maintain comprehensive audit trails and report material issues to the SFC without delay.
- **Senior management oversight** – Ensure senior management understands its responsibilities and obligations, supported by robust governance, regular training, and clear accountability. Where control gaps are identified, firms should consider engaging external consultants to perform an independent review.

How Waystone Can Help

Waystone offers a full suite of compliance solutions tailored to the needs of businesses expanding into, or operating in, Hong Kong and the wider APAC region. We help firms strengthen governance, enhance regulatory compliance, and manage operational risk so they can focus on growth with confidence.

If you have any questions about any of the topics raised in this article or would like to learn more about how our [APAC Compliance Solutions](#) team can support you in meeting your SFC obligations, please reach out to your usual Waystone representative or contact our compliance team via link below.

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