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Interpretation of the Implementation Plan for the Comprehensive Remediation of Illegal Cross-Boundary Securities, Futures, and Fund Business Activities

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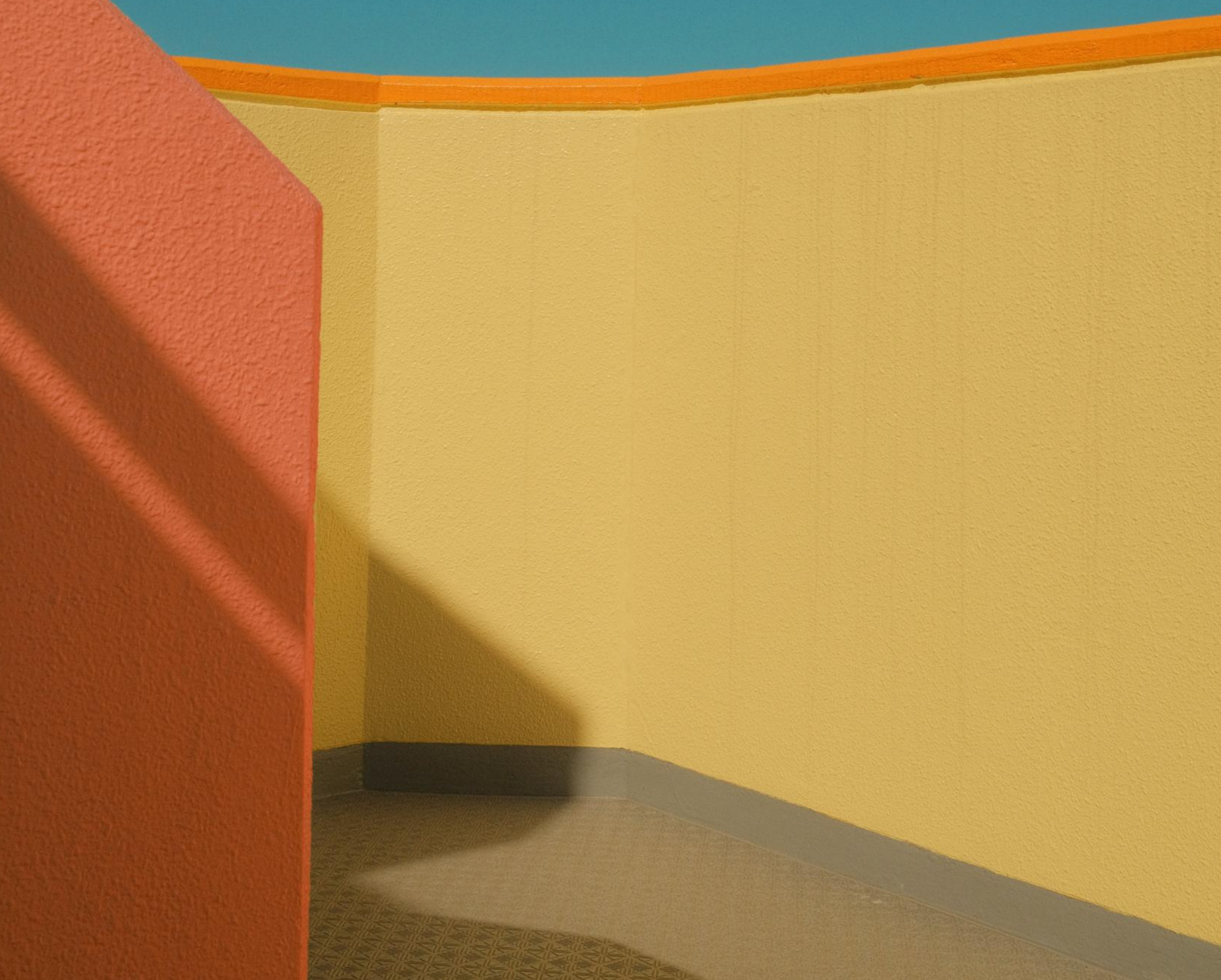

On 22 May 2026, the China Securities Regulatory Commission ("**CSRC**") announced in its regulatory news that it had recently issued administrative penalty pre-notification letters against Tiger Brokers (NZ) Limited ("**Tiger**"), Futu Securities International (Hong Kong) Limited ("**Futu**"), and Long Bridge HK Limited ("**Longbridge**"), as well as their relevant Chinese Mainland and offshore entities, for the illegal operation of securities businesses. On the same day, eight governmental departments - the CSRC, the Ministry of Industry and Information Technology (MIIT), the Ministry of Public Security (MPS), the People's Bank of China (PBOC), the State Administration for Market Regulation (SAMR), the National Financial Regulatory Administration (NFRA), the Cyberspace Administration of China (CAC), and the State Administration of Foreign Exchange (SAFE) - jointly issued the *Implementation Plan for the Comprehensive Remediation of Illegal Cross-Boundary Securities, Futures, and Fund Business Activities* ("**Remediation Plan**"). Concurrently, the Hong Kong Securities and Futures Commission ("**SFC**") issued a Circular to licensed corporations - Expected controls for account opening and maintaining relationships with clients ("**Circular**"), detailing specific monitoring requirements.

This article aims to summarize these regulatory developments, analyze the compliance risks faced by offshore institutions conducting cross-boundary business targeting Mainland investors, and provide action recommendations.

I. Overview of Penalties and Regulatory Evolution

According to the CSRC announcement, the relevant onshore and offshore entities of Tiger, Futu, and Longbridge, without the approval of the CSRC, and lacking the requisite licenses for securities brokerage and margin financing and securities lending businesses, engaged in securities-related services on the Chinese Mainland. These services included marketing and promoting securities trading and processing trade orders, from which they derived profits. Such actions violated Article 120 of the *Securities Law of the People's Republic of China*[i] ("**Securities Law**"), constituting the illegal operation of securities business. Furthermore, the relevant entities of the three institutions violated Article 97 of the *Securities Investment Funds Law of the People's Republic of China*[ii] ("**Funds Law**") and Article 63 of the *Futures and Derivatives Law of the People's Republic of China*[iii] ("**Futures and Derivatives Law**"), constituting the illegal distribution of public funds and illegal futures brokerage operations.

In response to these illegal cross-boundary activities, the CSRC intends to confiscate all illegal gains of the relevant onshore and offshore entities of Tiger, Futu, and Longbridge, and will issue formal administrative penalty decisions in accordance with the law after fully hearing the arguments of the parties involved. According to public announcements by the listed companies of Futu and Tiger: Futu was ordered to rectify or cease the relevant acts, confiscate its illegal gains, and pay a fine, with the total proposed penalty amounting to approximately RMB1.85 billion. Its founder and CEO, Mr. LI Hua, was fined RMB 1.25 million. Tiger was fined approximately RMB 308.1 million and with approximately RMB 103.1 million in illegal gains confiscated. Its CEO and actual controller, Mr. WU Tianhua, received a warning and a fine of RMB 1.25 million.

The CSRC's remediation of these three institutions did not start overnight; rather, it is the culmination of a gradual, multi-year process from initial "risk warnings" to "comprehensive remediation". Looking back at the regulatory history, the key milestones are as follows:

- Phase One: Early Risk Warnings (2016)

  As early as 2016, the CSRC issued an "Illegal Securities and Futures Risk Warning" to domestic residents, explicitly stating: "Recently, some offshore securities companies have partnered with domestic internet companies to provide trading channels and services for onshore investors to invest in offshore securities markets via the internet companies' platforms, websites, or mobile applications. Under the Securities Law, no entity or individual may operate a securities business without the approval of the securities regulatory authority under the State Council. The *Regulation on the Supervision and Administration of Securities Companies* stipulates that offshore securities companies operating securities business on the Chinese Mainland shall be approved by the securities regulatory authority under the State Council. Currently, apart from the Qualified Domestic Institutional Investors (QDII) program and the Stock Connect, the CSRC has not approved any onshore or offshore institutions to provide services enabling domestic investors to participate in offshore securities trading. When domestic investors participate in offshore securities trading via domestic internet platforms, websites, or mobile applications, they lack corresponding legal protection, and both their securities accounts and funds reside offshore. In the event of a dispute, investor rights cannot be effectively protected. Please refrain from participating in such investments to avoid losses".

- Phase Two: Regulatory Characterization and Regulatory Interviews (2021)

  On 15 October 2021, the CSRC reiterated its regulatory stance through the media, clarifying that the marketing, account opening, and other activities carried out by such offshore securities firms through onshore affiliated platforms to provide offshore securities trading services to domestic investors did not comply with the Securities Law, the *Regulation on the Supervision and Administration of Securities Companies*, and other laws and regulations. The CSRC stated that it would regulate such activities in accordance with the law and strengthen regulatory enforcement.

  On 11 November 2021, the CSRC conducted regulatory interviews with the senior executives of Futu Holdings and Tiger Brokers, clarifying the CSRC's regulatory stance and requiring them to lawfully standardize their cross-boundary securities businesses targeting domestic investors.

- Phase Three: Advancing Remediation Work (2022-2023)

  On 30 December 2022, the CSRC issued an announcement reiterating that Futu Holdings and Tiger Brokers had conducted cross-boundary securities business targeting domestic investors without CSRC approval. Pursuant to the Securities Law and relevant regulations, their actions constituted the illegal operation of securities business. Following the principle of "effectively curbing incremental business and orderly resolving existing business", the CSRC advanced the remediation of the illegal cross-boundary operations of Futu Holdings and Tiger Brokers. First, it legally banned incremental illegal business activities, prohibiting the solicitation of domestic investors, the development of new domestic clients, and the opening of new accounts. Second, it properly handled existing business. It permitted existing domestic investors to continue trading through the original offshore institutions but prohibited offshore institutions from accepting incremental fund transfers into these investor accounts in violation of China's foreign exchange management regulations.

  On 15 February 2023, via a CSRC spokesperson's Q&A with journalists, it was noted that the CSRC had issued the *Measures for the Administration of Securities Brokerage Business* on 13 January 2023, which clarified that daily supervision over illegal cross-boundary brokerage business would be strengthened, and remediation and standardization work would be advanced in a stable and orderly manner.

- Phase Four: Comprehensive Remediation and Normalization (2026)

  On 22 May 2026, building upon previous remediation experiences, eight departments including the CSRC issued the more systematic and comprehensive Remediation Plan. The remediation measures span multiple domains, including securities supervision, foreign exchange administration, banking supervision, internet management, and criminal enforcement. A two-year centralized remediation period is established to phase out illegal existing business and maintain order in the securities market.

  Prior to this, on 24 April 2026, eight departments including the PBOC issued the *Measures for the Administration of Online Marketing of Financial Products*, which explicitly classify "offshore institutions providing financial products and services to domestic residents without authorization" as illegal financial activities, and prohibits any institution or individual from providing online marketing services or facilitation for illegal financial activities.

The issuance of the Remediation Plan marks a new normal in the crackdown on illegal cross-boundary securities, futures, and fund business activities, characterized by multi-ministerial coordination, cross-boundary regulatory cooperation, and the establishment of long-term mechanisms.

II. Core Points of the Remediation Plan

1. Targets and Scope of Remediation

The remediation targets the following three categories:

(1) **Offshore institutions engaging in illegal cross-boundary securities, futures, and fund businesses**: Specifically, entities operating securities, futures, and fund businesses on the Chinese Mainland without the approval of the securities regulatory authority under the State Council;

(2) **Onshore affiliates or cooperating entities and illegal intermediaries**: Onshore affiliates or cooperating entities assisting offshore institutions in illegal cross-boundary operations, as well as onshore illegal intermediaries soliciting and guiding onshore investors to open securities and futures accounts for profit;

(3) **Internet platforms and self-media**: Websites, applications (APPs), and other internet platforms illegally publishing marketing information and providing trading services (such as securities/futures account opening) in the Chinese Mainland, as well as onshore network self-media accounts illegally publishing account opening tutorials, experience sharing, and other related information.

The business scope subject to remediation covers not only offshore institutions directly operating securities, futures, and fund businesses on the Chinese Mainland without approval, but also situations where offshore institutions conduct the aforementioned businesses through their onshore affiliates or cooperating entities, regardless of the form, these constitute illegal business operations. Simultaneously, violations of laws and regulations regarding foreign exchange administration, anti-money laundering, cybersecurity, information management, and personal information protection committed by relevant entities during cross-boundary business and investment activities are also included in the scope of remediation.

2. Work Requirements

The work requirements of the Remediation Plan primarily focus on two dimensions: “banning illegal cross-boundary business operations” and “phasing out illegal existing business”.

Regarding the ban on illegal cross-boundary business operations, regulatory authorities will sever the pathways for illegal cross-boundary business across all business stages - marketing, solicitation, account opening, order processing, and fund transfers - and block any onshore support. Without obtaining onshore securities business operation license, any engagement in any of the aforementioned business stages on the Chinese Mainland by offshore institutions and relevant onshore entities constitutes an illegal securities business activity.

(1) Complete Prohibition in the Marketing and Solicitation Stage

- **Offshore institutions**: Prohibited from illegally conducting marketing and solicitation activities related to securities, futures, and fund businesses on the Chinese Mainland, including operating websites and trading software, publishing marketing information, delivering investment information, conducting rebate marketing, and promoting or inducing the subscription of offshore stocks on the Chinese Mainland.

- **Internet platforms and self-media**: Internet platforms are prohibited from providing marketing, promotion, or securities/futures account-opening channels for the illegal cross-boundary operations of offshore institutions in the Chinese Mainland. Self-media accounts are prohibited from publishing related promotional or traffic-directing information in the Chinese Mainland.

(2) Complete Prohibition in the Trading Services Stage

- **Offshore institutions**: Prohibited from illegally providing trading services - such as account opening, trade order processing, and fund transfers - related to securities, futures, and fund businesses on the Chinese Mainland. This includes receiving and transmitting account opening applications and trade orders cross-boundary via websites, trading software, and supporting servers.

- **Any entity or individual**: Prohibited from guiding or assisting onshore investors in opening accounts in violation of regulations.

(3) Complete Prohibition of Onshore Assistance

- **Relevant onshore entities**: Prohibited from assisting offshore institutions in conducting illegal marketing activities, illegally providing trading services, and providing support services, such as website and trading software development/operation, and customer service, for offshore institutions' illegal cross-boundary operations.

Regarding the phasing out of illegal existing business operations, the Remediation Plan sets a two-year centralized remediation period to achieve phased reduction and eventual shutdown of these non-compliant service channels upon expiration:

(1) During the centralized remediation period: Offshore institutions are prohibited from illegally providing services such as buy orders and fund deposits for existing investors in the Chinese Mainland. Only one-way sell orders and fund withdrawals are permitted.

(2) Upon the expiration of the centralized remediation period: Offshore institutions shall completely shut down their onshore websites, trading software, and supporting servers, and are prohibited from illegally providing trading or other services to existing investors in the Chinese Mainland.

3. Multi-Departmental Collaborative Enforcement and Work Mechanisms

The Remediation Plan establishes an enforcement and work system led by the CSRC with inter-ministerial and central-local collaboration. This system is implemented through ten core tasks: information monitoring and screening, internet information cleanup, regulatory interviews and supervision, case investigation and penalization, illegal business disposal, management of cross-boundary securities/futures/fund investments, cross-boundary regulatory cooperation, investor protection, policy promotion and guidance, and system perfection alongside the promotion of compliant investment. This collaborative mechanism signifies that illegal operations by offshore institutions targeting Mainland investors, regardless of whether they involve one or multiple business stages, may trigger multi-departmental and multi-dimensional legal liabilities.

III. Typical Operational Models of Illegal Cross-Boundary Fund Distribution Platforms

Although in practice, cross-boundary operations by offshore institutions primarily involve securities brokerage, the CSRC's recent case filing, investigation, and penalties against Tiger, Futu, and Longbridge also explicitly covered their illegal engagement in public fund distribution.

In practice, illegal cross-boundary fund distribution activities often rely on specific internet platforms which embed customer acquisition, account opening, trading, and settlement into an online workflow. Based on our observations, such platforms typically exhibit the following characteristics:

1. Direct Accessibility within the Onshore Network Environment

Typically, these platforms can be directly downloaded, installed, and used within the Chinese Mainland network environment. Through these APPs, users can directly browse information on offshore fund products, including historical yields, minimum subscription amounts, historical net asset values, investment details, fund manager information, basic fund information (currency, domicile, inception date, fund size), and dealing information (dealing status, fee rates, and dealing rules).

2. Remote Account Opening and Account Architecture

These platforms usually allow onshore investors to complete account opening online using only their domestic ID cards. Some APPs previously automatically assisted investors in opening offshore bank accounts upon completion of registration for subsequent fund settlement.

Some platforms employ a “two-tier account architecture”: After registering on the APP, users need to separately open a trading account, which is actually opened with an affiliated offshore licensed securities firm. In substance, this architecture forms a business chain of “onshore platform for customer acquisition — offshore brokerage for account opening”. While the participating entities are different legal entities, they collaborate to provide a full suite of cross-boundary investment services. This model falls squarely into the scenario regulated by the Remediation Plan where offshore institutions conduct business on the Chinese Mainland through their onshore affiliates or cooperative partners. The onshore participating entities may respectively constitute “assisting offshore institutions in conducting illegal marketing activities”, “illegally providing trading services”, or “providing support services, such as website and trading software development/operation, and customer service, for offshore institutions’ illegal cross-boundary operations”.

3. Domestic Customer Service and Operational Support

Such platforms are generally equipped with Chinese-speaking customer service teams, and domestic investors can inquire about details via telephone and other channels. These localized service arrangements demonstrate that their services are explicitly directed at domestic investors, rather than the offshore platform merely passively accepting spontaneous applications from clients.

The above characteristics indicate that illegal cross-boundary fund distribution activities are not simple “information displays” or “passive customer acquisition”. Instead, they systematically embed marketing, solicitation, account opening review, trade execution, fund settlement, and customer service into online channels. As previously mentioned, the Remediation Plan explicitly includes such activities within the scope of remediation. The targets encompass not only the offshore institutions themselves but also their supporting onshore affiliates, internet platforms, and illegal intermediaries.

IV. Compliance Risk Warnings

The regulatory signals released by the Remediation Plan carry significant warning implications.

First, the legal basis for the CSRC’s recent penalties encompasses three core financial laws: the Securities Law, the Funds Law, and the Futures and Derivatives Law. The scope of the penalties covers three major business areas: securities brokerage, fund distribution, and futures brokerage. This means that whether an offshore institution directly and illegally promotes offshore fund products to onshore investors, or conducts illegal cross-boundary marketing of offshore fund products to onshore investors through onshore affiliates or partners, it falls within the regulatory crosshairs of the Remediation Plan. This regulatory stance is highly consistent with the *Measures for the Administration of Online Marketing of Financial Products*, which will come into effect on 30 September 2026. The Measures' definition of illegal financial activities further clarifies that the promotion of offshore fund products or the provision of services by offshore institutions via onshore online platforms or self-media without license constitutes illegal and non-compliant activity.

Second, the subjects of the CSRC's recent penalties include relevant onshore and offshore entities, reflecting that its claim of jurisdiction over illegal cross-boundary financial activities is not limited strictly to onshore entities. For offshore institutions and their affiliates conducting illegal marketing, solicitation, and customer service on the Chinese Mainland, the CSRC and relevant departments possess the authority to hold them legally accountable. If crimes are suspected, criminal liability will be triggered. Onshore entities providing "channels" or "services" (e.g., illegal marketing, solicitation, customer service, account opening review) for offshore institutions may face consequences such as closure or the revocation of business licenses.

Finally, collaborative enforcement between Mainland and Hong Kong regulatory authorities imposes stricter requirements on the compliance management of offshore institutions. The SFC issued the Circular on the same day. Appendix B of the Circular requires Hong Kong licensed corporations to implement additional control measures when opening and maintaining accounts for Mainland investors. These include conducting retrospective checks and closing accounts opened with questionable or forged documents, closing zero-balance dormant accounts, and obtaining written declarations from investors regarding their source of funds when opening new accounts. This measure echoes the Remediation Plan: Mainland regulatory authorities are responsible for banning illegal cross-boundary business and phasing out existing illegal operations, while the SFC effectively compresses the actual space for illegal cross-boundary operations by raising account opening thresholds and cleaning up existing accounts. Furthermore, it is particularly important to note that, according to the Circular, if the activities conducted by an offshore institution (as a Hong Kong licensed corporation) in the Mainland are deemed illegal, it not only faces penalties from Mainland regulators but may also constitute non-compliance with paragraph 12.1 (Compliance: in general) of the *Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission*, which may result in supervisory or enforcement actions taken by the SFC[iv]. In other words, a single action may simultaneously trigger regulatory consequences in both jurisdictions.

V. Recommended Actions

1. Conduct Self-Inspections and Remediation

   Offshore institutions and their onshore affiliates should conduct comprehensive self-inspections of their business operations and carefully assess whether there are any instances of illegal business operations targeting onshore investors, such as conducting marketing and solicitation (either directly or in cooperation with onshore institutions) or providing account opening or trading services for onshore investors. If such situations are identified during the self-inspection, a remediation plan should be formulated as soon as possible.

2. Prudently Evaluate Cooperating Platforms and Distribution Channels

   Institutions should prudently verify whether offshore fund products are displayed or sold to Mainland investors via onshore internet platforms, APPs, or self-media channels. Additionally, for offshore-operated internet platforms and APPs, if they are clearly suspected of providing illegal cross-boundary investment services to onshore investors (e.g., marketing and soliciting onshore investors, opening accounts, processing trade orders, or providing fund transfer channels for onshore investors), it is recommended that offshore institutions conduct a prudent assessment to avoid offering offshore fund products on platforms that target onshore investors as their customer base.

3. Manage Onshore Social Media and Employee Personal Accounts

   Offshore institutions and their onshore affiliates should review the social media accounts they operate in the Chinese Mainland and stop publishing marketing information or investment promotions related to offshore fund products through onshore platforms such as WeChat Official Accounts, WeChat Channels, Weibo, Douyin, and Rednote. Any such information that has already been published should be promptly removed.

   We also recommend that offshore institutions establish internal guidelines for social media use, prohibiting employees from publishing promotions, traffic-directing information, or performance displays related to offshore fund products on their personal social media platforms in the Chinese Mainland, to prevent the institution from being deemed as engaging in illegal marketing and solicitation activities on the Chinese Mainland due to individual employee behavior.

4. Conduct Business Through Compliant Channels

   Under the current regulatory framework, compliant cross-boundary investment channels for onshore investors primarily include the QDII scheme, Stock Connect (Southbound), Cross-boundary Wealth Management Connect, and the Mutual Recognition of Funds between the Mainland and Hong Kong, which are approved by regulatory authorities. Offshore institutions should provide products and services to onshore investors through these compliant channels.

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[i] Article 120 of the Securities Law:

Upon approval by the securities regulatory authority under the State Council and the obtainment of a securities business license, a securities company may engage in some or all of the following securities businesses:

(1) Securities brokerage;
(2) Securities investment consultancy;
(3) Financial advisory relating to securities trading and securities investment activities;
(4) Securities underwriting and sponsoring;
(5) Margin financing and securities lending;
(6) Securities market-making;
(7) Proprietary securities trading;
(8) Other securities businesses.

The securities regulatory authority under the State Council shall, within three months from the date of accepting an application for the matters stipulated in the preceding paragraph, conduct an examination in accordance with statutory conditions and procedures, make a decision on whether to grant approval, and notify the applicant. If approval is not granted, the reasons shall be stated.

Where a securities company engages in the securities asset management business, it shall comply with the *Securities Investment Funds Law of the People's Republic of China* and other laws and administrative regulations.

Except for securities companies, no entity or individual may engage in the businesses of securities underwriting, securities sponsoring, securities brokerage, or margin financing and securities lending.

When engaging in the margin financing and securities lending business, securities companies shall take measures to strictly prevent and control risks, and shall not lend funds or securities to clients in violation of regulations.

[ii] Article 97 of the Funds Law:

Institutions engaging in fund service businesses such as the distribution, sales payment, fund unit registration, valuation, investment advisory service, rating, and information technology system service for publicly offered funds shall register or file with the securities regulatory authority under the State Council in accordance with its provisions.

[iii] Article 63 of the Futures and Derivatives Law:

Upon approval by the futures regulatory authority under the State Council, a futures company may engage in the following futures businesses:

(1) Futures brokerage;
(2) Futures trading consultancy;
(3) Futures market-making;
(4) Other futures businesses.

Where a futures company engages in the asset management business, it shall comply with the *Securities Investment Funds Law of the People's Republic of China* and other laws and administrative regulations.

Without the approval of the futures regulatory authority under the State Council, no entity or individual may establish, directly or in a disguised form, a futures company; operate, directly or in a disguised form, a futures brokerage business or futures trading consultancy business; nor use "futures", "options" or other names that may cause confusion or mislead for the purpose of business operations.

[iv] The Circular also clearly states that when providing services to investors outside Hong Kong, either directly by Hong Kong licensed corporations, or through affiliates, third-party service providers or intermediaries outside Hong Kong, Hong Kong licensed corporations must comply with all relevant legal and regulatory requirements in both Hong Kong and the applicable jurisdictions. Hong Kong licensed corporations should not engage in or facilitate any illegal activities when providing services to investors outside Hong Kong. In particular, Hong Kong licensed corporations should take note of the Remediation Plan. Hong Kong licensed corporations 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 Conduct for Persons Licensed by or Registered with the Securities and Futures Commission*, which may result in supervisory or enforcement actions taken by the SFC.

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