

Message from Chairman and CEO

“The past 35 years isn’t without challenges and setbacks, but Hong Kong’s world-class financial regulation and unique connectivity, coupled with our unwavering commitment to a free economy and the rule of law, have allowed us to go above and beyond.”

“As the premier connector between China’s and the global capital markets, Hong Kong will continue to thrive by staying resilient and agile in strengthening both existing and new market connections. In this, the SFC will keep on playing our critical role as both protector and enabler.”



Tim Lui
Chairman

Julia Leung
Chief Executive Officer

Thirty-five years may not make a “proud history”, but it certainly marks an inspiring journey replete with challenges, missions and achievements in safeguarding and developing the big financial market of this dynamic city.

It also represents a winding course of evolution for the SFC and Hong Kong’s capital markets amidst constant global market vagaries. Through these changing times,

the SFC has continued to adapt, evolve and progress with the emerging trends and novel practices in capital markets. While we remain firmly committed to market integrity, resilience and investor protection every step of the way, we also strive to create fresh opportunities for investors and businesses. Our prudent yet agile regulatory approach has been the essential support for Hong Kong’s success as an international financial centre, and this will only strengthen in the years to come.

Journey of a market protector

On our journey to protect Hong Kong's standing as a global financial hub, we have stayed committed and tireless in pursuing market integrity, transparency and resilience. We have zero tolerance towards market misconduct and continue to take a robust enforcement approach against wrong-doings.

A classic example is our tremendous efforts in tackling ramp and dump schemes in recent years to ensure a healthy market ecosystem. As the core members of sophisticated syndicates are being brought to justice, we are seeing the fruit of our investigations, which have been possible only through close collaboration with other law enforcement agencies, such as the Independent Commission Against Corruption and the Hong Kong Police Force.

Over the past decades, our resolute actions against corporate misconduct have also protected investors and minority shareholders, leading to the delisting and liquidation of fraudulent firms, as well as disqualification of their senior management members. In addition, we have taken deterrent disciplinary actions against licensed firms and sanctioned their responsible officers for failures to discharge their obligations and control deficiencies, especially those causing hefty losses of investors' funds.

Our gatekeeping role would only be complete with our close vigilance on the financial markets and supervision of the exchanges, clearing houses and intermediaries, which are critical to the strengthening of their risk management abilities and prevention of systemic risks. And we never waste a crisis: through the past 35 years, we have learnt, improved and evolved our skillsets to monitor the markets and safeguard financial stability. Our capital markets have been very resilient through various market vagaries and even crises. In the last five years, we have endured social unrests in Hong Kong, the pandemic, geopolitical tensions and drastic global monetary tightening.

Underlying this resilience is our continued enhancement of capabilities in market surveillance, both on market and off market. The latest addition to our surveillance toolkit is the Hong Kong Investor Identification Regime launched in 2023, which enables us to spot trading irregularities early on and deter misconduct.

Enabling by connecting

Healthy and resilient markets provide a necessary foundation for industry players and investors to grow and thrive. As an enabler of quality growth, we provide a policy platform, build market infrastructure and establish investor protection standards to facilitate trading and investments and allow participants to seize opportunities of the times. One example is our work to enhance stock market liquidity and efficiency and reduce transaction costs. With various short-term measures implemented recently, we continue to work with Hong Kong Exchanges and Clearing Limited (HKEX) to explore medium to long-term measures, such as reducing stock trading spreads and optimising collateral arrangements.

Our facilitation of Hong Kong's super-connector role is critical to our journey to develop markets. Since the first H-share listing some 30 years ago, the city has played a pivotal role in the opening-up of Mainland capital markets. The Mainland-Hong Kong Connect schemes have further enhanced this role by catalysing the city's rise as a global financial hub and the premier China gateway. Wealth Management Connect was expanded in January 2024 to allow the participation of brokers and more eligible investment products. In support of expanding mutual market access, the China Securities Regulatory Commission announced just in April 2024 a package of five measures which included allowing Mainland investors' access to REITs¹ listed in the city, as well as relaxing the criteria for Hong Kong exchange-traded funds (ETFs) under ETF Connect. These represent collective and assiduous efforts by both the SFC and HKEX since 2014 to drive progress of the Connect train from equities to fixed income and from the cash market to derivatives.

As an international financial centre, Hong Kong's connectivity extends towards overseas markets. We are pulling our weight to diversify our sources of capital and listings, by expanding connectivity with Asian markets and attracting more firms from the region to list here. As a milestone in forging new ties, the city saw the listing of Asia's first and the world's largest ETF investing in Saudi Arabian stocks last year. We have also enabled opportunities for our fund managers to expand regional footprints, and will continue to engage with Asian market regulators for more cooperation.

¹ Real estate investment trusts.

Regulation empowering innovation

Harnessing the power of innovation and technology in financial markets is integral to our regulatory journey. The paths of financial regulation and technology have continued to cross, from our regime for electronic trading to the guidance on online distribution and robo-advice. With cutting-edge technologies such as blockchain and artificial intelligence set to change the world, we must embrace them to facilitate efficiency gains and better customer experience, while ensuring investor protection as well as transparent and orderly markets.

We have created a regulatory regime for virtual assets (VA) with comprehensive investor protection where none existed previously, based on the “same business, same risks, same rules” principle, which has become the golden rule adopted by regulators globally. Our efforts in regulating VA trading platforms since 2017 have crystallised into a new licensing regime effective in mid-2023 which comprehensively protects investors. Through these initiatives, we ensure new technology is used in a responsible and secure way that will culminate in a robust Fintech ecosystem.

We see potential benefits in the use of distributed ledger technology for financial services, and have guided the industry on the tokenisation of traditional securities and investment products, provided that no less investor protection is afforded than that in the conventional market. In the process, a VA ecosystem is being fostered. Starting with our authorisation of VA futures ETFs in late 2022 to enable retail access to VAs through a regulated channel, we have taken this further by allowing spot VA funds and ETFs for public access. Public and private tokenised funds have been available in our markets.

Road to sustainability

We connect ourselves with global markets through shared objectives, and sustainability is clearly one of the most prominent. As the Mainland has pledged carbon neutrality by 2060, we can leverage the large financial footprint of Hong Kong to contribute to the nation’s carbon-neutral ambition.

Our green journey may be still young, but it will carry us far into the future. Hong Kong has stayed at the forefront of sustainable finance policy initiatives, with a priority to align Hong Kong’s climate-related corporate reporting standards with the IFRS² Sustainability Disclosure Standards published in June 2023. We have set out a roadmap to implement them in phases starting January 2025 with large listed companies.

The alignment will be part of Hong Kong’s strategy to develop a comprehensive sustainability disclosure ecosystem. Meanwhile, it is important that we ensure our approach to the implementation of the new standards is flexible, scalable and interoperable, in order to encourage adoption and make continuous progress, without losing sight of our long-term green vision. The new regime will give listed companies in Hong Kong a head-start in speaking to the market in the common international language in their reporting.

To overcome the challenges to adoption, we are building awareness and preparedness among issuers and the financial industry. We are also addressing data gaps by supporting the development of a voluntary code of conduct for ESG³ data providers, as well as launching online emission calculation tools for the use of enterprises and the public.

² International Financial Reporting Standards.

³ Environmental, social and governance.

Vision for the fourth decade

From our permanent home at One Island East, we continue our regulatory journey to guard and grow Hong Kong's reputation as an international financial centre. We will remain steadfast in discharging our statutory functions and continue to act without fear or favour. It will not be all smooth sailing, but with a solid track record in weathering trying times, we have full confidence in the resilience of our markets and the robustness of our regulatory framework. We will build on this solid foundation to ensure a bright future for the city as the major connector between China's and the global capital markets.

In this year of celebration, we wish to express our heartfelt gratitude to our Board members and staff for their continued support and dedication that have been a vital driving force for the SFC on this 35-year journey.

Tim Lui
Chairman

Julia Leung
Chief Executive Officer