

Regulatory Engagement

To advance Hong Kong's position as a leading international financial centre, we actively participate in international policymaking through our leadership in global standard-setting bodies and closely collaborate with local and Mainland authorities on regulatory and market development initiatives.

Leadership in global standard-setting bodies

Our Chief Executive Officer (CEO) Ms Julia Leung has represented the SFC on the Board of the International Organization of Securities Commissions (IOSCO)¹ since 2016. During the year, Ms Leung took part in regular calls and meetings of the IOSCO Board to identify, discuss and address emerging regulatory issues and share information about capital market developments. The areas of focus included sustainable finance, digital assets, and non-bank financial intermediation.

Ms Leung chairs² the IOSCO Asia-Pacific Regional Committee (APRC), which is one of IOSCO's four regional committees and comprises over 30 Asia-Pacific regulators. The APRC focuses on addressing regulatory issues, enhancing supervisory collaboration and



SFC CEO Ms Julia Leung chairs the IOSCO Asia-Pacific Regional Committee

experience sharing, and supporting capacity building activities. Furthermore, she is a member of the Management Committee of the IOSCO Asia Pacific Hub, which delivers capacity building programmes for securities regulators in the region.

Ms Leung also serves as a Vice Chair of the IOSCO Sustainable Finance Task Force (STF) and co-leads the STF's Corporate Reporting Workstream, under which she oversaw IOSCO's assessment and evaluation of the IFRS³ Sustainability Disclosure Standards.



Meeting of IOSCO Committee on Enforcement and the Exchange of Information in the US in November 2023

¹ IOSCO is responsible for developing, implementing and promoting adherence to internationally recognised standards for securities regulation. IOSCO's membership regulates more than 95% of the world's securities markets in 130 jurisdictions.

² Ms Leung's two-year term commenced in May 2024 during the IOSCO 2024 Annual Meeting.

³ International Financial Reporting Standards.

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Other SFC senior executives also play leading roles in key international initiatives, holding leadership positions in committees and working groups under IOSCO and the Financial Stability Board (FSB).



The meeting of the IOSCO Assessment Committee in Hong Kong in September 2023

- ◆ Ms Christina Choi, our Executive Director of Investment Products, chairs the IOSCO Policy Committee on Investment Management. She also leads the committee's core expert group which supports the Financial Stability Engagement Group in the ongoing international work related to open-ended funds (OEFs) and published in December 2023 the IOSCO Guidance on Anti-Dilution Liquidity Management Tools (LMTs). The committee also conducted a public consultation on proposed good practices for leveraged loan and collateralised loan obligation markets in 2023.
- ◆ Ms Choi also co-chairs the OEF Working Group under the FSB Standing Committee on Supervisory and Regulatory Cooperation, which published the revised FSB policy recommendations in December to address structural vulnerabilities from liquidity mismatch in OEFs. Together with IOSCO's guidance on anti-dilution LMTs, both reports aim to promote the greater use and enhanced consistency in the use of anti-dilution LMTs by OEFs at a global level to address financial stability risks and investor protection at the same time.
- ◆ Mr Kenneth Lai, our Director of Enforcement, is serving his second term as Vice Chair of the IOSCO Committee on Enforcement and the Exchange of Information, which seeks to implement international enforcement cooperation under the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU). He is also a member of the IOSCO MMoU Monitoring Group Steering Committee.
- ◆ Ms Christine Kung, our Senior Director and Head of International Affairs and Sustainable Finance, leads the IOSCO APRC Sustainable Finance Working Group, which aims to drive consistent sustainable finance regulation across the region, including climate-related disclosures.



The 48th IOSCO Annual Meeting in Bangkok in June 2023

SFC hosts high profile international meetings in Hong Kong

We work closely with our international counterparts and the IOSCO Secretariat to facilitate cooperation, discussions, and capacity building amongst IOSCO members. During the year, we hosted four international meetings in Hong Kong. The SFC hosted the IOSCO APRC meetings in February 2024, which were attended by more than 70 senior regulators and experts from 21 jurisdictions.

The discussions focused on risks and opportunities in the region, including sustainable finance, Fintech, capital market access by small and medium-sized enterprises, and the use of regulatory and supervisory technologies. Participants also shared experiences in capacity building, tackling online frauds and scams, and addressing greenwashing and market manipulation.

In the same month, we also hosted the eighth EU-Asia-Pacific Forum on Financial Regulation, an annual forum for policymakers and financial authorities from the European Union (EU) and Asia-Pacific jurisdictions to discuss cooperation in financial regulation and supervision.

Under the two key themes of sustainable finance and digital finance, participants discussed major regulatory and market developments. They also reaffirmed the importance of continued dialogue



EU-Asia-Pacific Forum on Financial Regulation in Hong Kong in February 2024

and cross-border cooperation to make the financial system more resilient and monitor vulnerabilities.

We hosted a meeting of the IOSCO Committee on Investment Management and two industry roundtables in November 2023. Over 30 members at the meeting discussed work on liquidity management tools for OEFs, industry practices and market developments on valuation and the future workplan.

The IOSCO Assessment Committee aims to encourage full, effective and consistent implementation of IOSCO's Objectives and Principles of Securities Regulation. In September 2023, we hosted a meeting where committee members discussed implementation monitoring in the areas of sustainability reporting, crypto assets and effective market surveillance posed by technological challenges.



IOSCO APRC Supervisory Directors' Meeting in Hong Kong in February 2024



IOSCO APRC Enforcement Directors' Meeting in Hong Kong in February 2024

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Strengthening global regulatory collaboration

Within IOSCO, the SFC contributes to all of its task forces at the Board level, including the STF, Fintech Task Force, and Financial Stability Engagement Group. We also participate in all eight policy committees of IOSCO, the Committee on Emerging Risks, and the Assessment Committee. At the regional level, we lead the IOSCO APRC.

The SFC participates in the CPMI⁴-IOSCO Steering Group which is responsible for coordinating regulatory policy work regarding the oversight and supervision of financial market infrastructures, including central counterparties (CCPs). The Group has set up a Policy Standing Group and an Implementation Monitoring Standing Group. Through the SFC's participation in these two Standing Groups, we have been involved in development and implementation monitoring of policies and standards related to CCPs.

The SFC participates in the BCBS⁵-CPMI-IOSCO's Joint Working Group on Margin, which is advancing work on the transparency and responsiveness of initial margin in centrally cleared markets. We supported a review of margining practices of centrally cleared and uncleared markets in particular during periods of high market volatility.

During the year, Mr Rico Leung, our Executive Director of Supervision of Markets, and other senior SFC representatives participated in meetings of the FSB Regional Consultative Group for Asia and the FSB Standing Committee on Standards Implementation.

Ensuring financial stability

As a member of the IOSCO Financial Stability Engagement Group and its Steering group, we coordinate IOSCO's role in addressing financial stability risks with the FSB, identify and address vulnerabilities associated with non-bank financial intermediation.

We are also a member of the FSB Cross-Border Crisis Management Group for Financial Market Infrastructures. The Group provides a forum for

regulators to discuss matters and formulate policies regarding the resolution of CCPs. Through these international forums, the SFC participates in the policy making process and keeps abreast of the latest developments in global CCP regulations. This will help enhance our supervision of CCPs in Hong Kong.

Furthering Mainland-Hong Kong collaboration

To consolidate Hong Kong's position as a leading international financial centre and a premier China gateway, we hold regular discussions and work proactively with the China Securities Regulatory Commission (CSRC) and other Mainland authorities to deepen mutual market access schemes and enhance cross-boundary supervisory and enforcement cooperation. Through a series of high-level meetings and working-level discussions, we endeavoured to cultivate enhanced dialogue and cooperation across a diverse spectrum of issues.

In March 2024, our Chairman Mr Tim Lui and CEO Ms Julia Leung met with CSRC Chairman Mr Wu Qing in Beijing. They took stock of the recent achievements of cooperation between the Mainland and Hong Kong capital markets and exchanged views on recent developments of both markets. They also agreed to further deepen cross-boundary regulatory and enforcement cooperation, promote coordinated development of the two capital markets, and enhance Hong Kong's status as an international financial centre.



(From left to right) SFC CEO Ms Julia Leung, CSRC Chairman Mr Wu Qing and SFC Chairman Mr Tim Lui

⁴ The Committee on Payments and Market Infrastructures.

⁵ The Basel Committee on Banking Supervision.

The SFC also visited Guangzhou, Shenzhen and Shanghai in the summer of 2023 to meet with the CSRC local bureaus, stock exchanges, futures exchanges and clearing houses there and discuss cross-boundary regulatory cooperation and market development initiatives. We organised a training programme for a CSRC senior executives delegation to meet with SFC operational divisions, various local regulators and industry associations, and received visits by several batches of CSRC working-level delegations. By fostering greater communication and cooperation, we have strengthened the foundations and enhanced our collaborative efforts to address emerging risks and challenges.

At the 13th and 14th SFC-CSRC high-level meetings held in June and December 2023, we exchanged views on comprehensive topics including the latest capital market development, recent achievements in cross-boundary regulatory cooperation, and ongoing initiatives of market development and regulatory cooperation. We also agreed to further explore new initiatives to promote the healthy development of the Mainland and Hong Kong capital markets. With the launch of the HKD-RMB Dual Counter Model for trading in June 2023, we are communicating closely with relevant Mainland authorities to prepare for the inclusion of RMB-denominated securities under southbound trading of Stock Connect.

We remain committed to further deepening and expanding our collaboration with other Mainland authorities on various cooperation initiatives. During the year, we visited the People's Bank of China (PBoC), National Financial Regulatory Administration and State Administration of Foreign Exchange in Beijing to discuss the latest economic and market conditions and the development of mutual market access schemes. Under our joint efforts with the PBoC and the Hong Kong Monetary Authority, northbound trading of Swap Connect was launched in May 2023.

We continued to play a critical role in support of the HKSAR Government to strengthen Hong Kong's cooperation with the Mainland, on those initiatives set out in the Guangdong-Hong Kong-Macao Greater Bay Area development plan, as well as other regional cooperation initiatives. For example, enhancements to the Cross-boundary Wealth Management Connect pilot scheme (WMC 2.0) were rolled out by relevant Mainland and Hong Kong authorities and financial regulators in early 2024.

Over the past year, the SFC's Enforcement Division maintained close cooperation with the CSRC. In addition to providing investigatory assistance in each other's cases, both regulators have actively collaborated and exchanged information on important cases affecting the Mainland and Hong Kong capital markets.



The 13th Mainland and Hong Kong Regulatory High-level Meeting in Hong Kong in June 2023

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During the year, the regular high-level and working-level meetings held between our Enforcement Division and the CSRC's Enforcement Bureau brought about notable progress in a number of areas. On case investigation, we moved forward some high-impact cases involving cross-boundary investigatory assistance and made headway. On training, the first in-person joint training since the pandemic held in Chengdu was attended by more than 140 enforcement officers from the SFC, CSRC and its regional offices, the Mainland public security authorities, the Independent Commission Against Corruption (ICAC), the Hong Kong Police and the Accounting and Financial Reporting Council. In addition, multiple exchange programmes between the two enforcement units allowed investigators to deepen their understanding of each other's work and exchange their experiences.

The SFC, CSRC, Commercial Crime Bureau of the Hong Kong Police Force (CCB) and the ICAC met in April to exchange views on enforcement cooperation. This sent both the Hong Kong and Mainland markets a positive signal about stepped-up collaboration between the enforcement agencies of both jurisdictions.

In November, senior representatives of the SFC, CSRC, Economic Crime Investigation Department of the Ministry of Public Security and the CCB also met to discuss strengthening law enforcement cooperation against securities and economics crimes under their respective legal remits.



The CSRC's Enforcement Bureau and the SFC's Enforcement Division joint training in Chengdu in November 2023

Other engagement

The SFC held the 15th Bilateral Regulatory Meeting with the Financial Supervisory Commission of Taiwan, China, where we exchanged views on regulatory development of virtual assets, exchange-traded funds and sustainable finance.

In July 2023, the SFC hosted a visit by the representatives of the Takeovers Regulation Panel of South Africa, where we exchanged experiences in regulating takeovers.

Requests for regulatory assistance

