

Highlights

Regulatory enhancements

Competency framework: We published consultation conclusions on proposals to update the competency framework for intermediaries and individual practitioners. The revised guidelines will take effect on 1 January 2022.

Over-the-counter derivatives: We issued a joint consultation conclusions paper with the Hong Kong Monetary Authority (HKMA) on the annual update to the list of financial services providers under the over-the-counter derivatives clearing regime.

Uncertificated securities market: The Legislative Council passed the Securities and Futures and Companies Legislation (Amendment) Bill, which provides a legal framework to establish a paperless securities market in Hong Kong.

Virtual assets: The Government concluded a consultation on a legislative proposal for the SFC to regulate centralised virtual asset exchanges under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

Green and sustainable finance

Steering Group: The Hong Kong Green and Sustainable Finance Cross-Agency Steering Group, co-chaired by the SFC and the HKMA, announced the next steps to advance its collaborative strategy to help transition the financial ecosystem towards carbon neutrality.

Environmental, social and governance (ESG) funds: We published a circular in June with enhanced requirements for disclosures and annual assessments of ESG funds, especially those with a climate-related focus.

Listing regulation

Listing applications: We vetted 120 new listing applications, including five from companies with weighted voting rights structures and 14 from pre-profit biotech companies.

Corporate conduct: As part of our review of corporate disclosures, we issued section 179¹ directions to gather additional information in 28 cases and issued letters detailing our concerns in one case.

Listing-related misconduct: We published a statement with the Stock Exchange of Hong Kong Limited (SEHK) in May on our joint efforts to combat misconduct and improper behaviour in new listings.

¹ Section 179 of the Securities and Futures Ordinance gives the SFC the power to compel the production of records and documents from persons related to a listed company.

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Intermediaries

Licensing: As at 30 June 2021, the number of licensees and registrants totalled 47,527, of which 3,174 were licensed corporations (LCs).

Supervision: We conducted 71 on-site inspections of LCs to review their compliance with regulatory requirements.

COVID-19 response: We issued circulars setting out the requirements for senior executives of LCs or their overseas affiliates who apply for exemption from the compulsory quarantine arrangements when they return or travel to Hong Kong. Another circular encouraged LCs to consider vaccination as a critical part of their operational risk management, review their business continuity plans and encourage staff performing critical functions to get vaccinated.

Bank accounts: We reminded LCs to implement effective policies, procedures and internal controls for the operation of their bank accounts to properly safeguard client money, promptly discharge their liabilities and comply with regulatory financial resources requirements.

Products

Product authorisations: We authorised 39 unit trusts and mutual funds (including 17 Hong Kong-domiciled funds), two investment-linked assurance schemes, one real estate investment trust (REIT) and 24 unlisted structured investment products for public offering in Hong Kong.

Exchange-traded funds (ETFs): ETFs were cross-listed on SEHK and the Shanghai Stock Exchange for the first time during the quarter. We also worked with SEHK to enhance the efficiency and liquidity of ETFs in the secondary market.

Grant scheme: We announced the launch of the Government's grant scheme to subsidise the setting up of open-ended fund companies and REITs in Hong Kong.

Enforcement

Disciplinary actions: We disciplined four corporations and three individuals, resulting in total fines of \$5 million.

Market surveillance: We made 2,319 requests for trading and account records triggered by untoward price and turnover movements.

Unregulated virtual asset platforms: We issued a statement to clarify that no entity in the Binance group is licensed or registered to conduct regulated activities in Hong Kong and investors should be extremely careful if they plan to invest in stock tokens offered on unregulated platforms.

Joint SFC-Police operation: As part of a joint operation with us against a syndicate suspected of operating ramp and dump market manipulation schemes and committing fraud, the Police arrested four persons, including three senior executives of a listed company.

Warning against investment scams: To raise public awareness, we conducted an online campaign simulating the experience of being drawn into social media investment scams and organised three community outreach events with the Hong Kong Police's Anti-Deception Coordination Centre. We also issued a circular reminding licensees of their obligation under the Code of Conduct² to notify us of suspected ramp and dump scams.

Regulatory engagement

International: In June, our Chief Executive Officer Mr Ashley Alder chaired a virtual meeting of the Board of the International Organization of Securities Commissions which discussed sustainable finance and operational risks arising from the pandemic.

Mainland China: At our high-level meeting with the China Securities Regulatory Commission, we discussed cross-boundary regulatory cooperation including the supervision of financial institutions and enhancements to mutual market access schemes as well as other market development initiatives.

² The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.