

# Operational Review

## Corporates

### Listing regulation

#### Main Board profit requirement

To strengthen Hong Kong's position as an international financial centre, we work with the Stock Exchange of Hong Kong Limited (SEHK) to regularly review listing policies. SEHK published the conclusions to its consultation on increasing the minimum profit requirement for new listings on the Main Board in May. The new profit thresholds will take effect on 1 January 2022.

#### Misconduct related to new listings

Also in May, we and SEHK published a joint statement on our efforts to combat misconduct and improper behaviour related to new listings through heightened scrutiny of listing applications with red flags which indicate a lack of genuine investor interest. When necessary, we will use our regulatory powers to object to or reject an application.

#### SEHK's disciplinary powers and sanctions

Following our recommendation, SEHK consulted on proposals to enhance its disciplinary powers and sanctions. The consultation conclusions were published

in May. New rules which came into effect on 3 July 2021 strengthen SEHK's ability to hold directors and other individuals accountable for misconduct and rule breaches.

### Listing applications

Our oversight of listing matters includes vetting of listing applications. During the quarter, we vetted 120 new listing applications, including five from companies with a weighted voting rights structure and 14 from pre-profit biotech companies. One company achieved secondary listing on the Main Board under Chapter 19C of the Listing Rules<sup>1</sup>.

Exercising our powers under the Securities and Futures (Stock Market Listing) Rules, we issued one requisition letter directly to a listing applicant during the quarter. Amongst our concerns were the credibility of the sponsor's submission and the sufficiency of the independent due diligence performed by the sponsor.

### Corporate conduct

We conduct daily reviews of corporate announcements to identify potential misconduct and irregularities. During the quarter, we issued section 179<sup>2</sup> directions to gather additional information in 28 cases and wrote to listed issuers detailing our concerns in one case. These concerns included, for example, whether a corporate action or transaction is conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

<sup>1</sup> Chapter 19C sets out the additional requirements, modifications or exceptions for companies that have, or are seeking, a secondary listing.

<sup>2</sup> 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.

## Corporates

### Listing applications and takeovers activities

	Quarter ended 30.6.2021	Quarter ended 31.3.2021	Change (%)	Quarter ended 30.6.2020	YoY change (%)
Listing applications	120	80	50	82	46.3
Takeovers and share buy-backs transactions	110	122	-9.8	111	-0.9

# Intermediaries

## Licensing applications

In the quarter, we received 2,695 licence applications<sup>1</sup>, including 42 corporate applications, a 19.5% increase from the last quarter and up 60% compared with the same quarter last year.

As at 30 June, the total number of licensees and registrants remained stable at 47,527, of which 3,174 were licensed corporations.

## Competency framework

In June, we concluded a consultation on updates to the competency framework for intermediaries and individual practitioners. The industry generally welcomed the proposals which included raising the minimum academic qualification requirements for individuals, broadening the scope of recognised academic qualifications, clarifying the management experience requirements for responsible officers and executive officers and enhancing the competence requirements for individuals advising on matters in relation to the Codes on Takeovers and Mergers and Share Buy-backs.

Post-graduate diplomas and certificates in designated fields will be recognised and we will accept management experience acquired in the financial industry by responsible officer and executive officer applicants. Environmental, social and governance (ESG) will be included as a relevant topic for continuous professional training purposes.

The revised Guidelines on Competence, Guidelines on Continuous Professional Training and Fit and Proper Guidelines will become effective on 1 January 2022.

## Licensees and registrants

	As at 30.6.2021	As at 31.3.2021	Change (%)	As at 30.6.2020	YoY change (%)
Licensed corporations	3,174	3,159	0.5	3,109	2.1
Registered institutions	114	115	-0.9	112	1.8
Licensed individuals	44,239	43,904	0.8	43,603	1.5
<b>Total</b>	<b>47,527</b>	<b>47,178</b>	<b>0.7</b>	<b>46,824</b>	<b>1.5</b>

## Virtual assets

In May, the Government published consultation conclusions on a legislative proposal for the SFC to regulate centralised virtual asset exchanges under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance. There was broad support for the proposed regime and the Government aims to introduce the amendment bill into the Legislative Council in the next legislative session.

## Data standards for order life cycles

In April, we issued a circular to remind securities brokers whose annual trading turnover in SEHK<sup>2</sup>-listed equities in 2018 or beyond reaches or exceeds 2% of that year's total market trading volume for the first time that they are generally expected to implement system changes and make other arrangements to comply with the data standards for order life cycles within 15 months of that year's calendar end. We also updated the frequently asked questions to provide additional guidance on implementation.

## Operation of bank accounts

In June, we issued a circular to remind licensed corporations to implement effective policies, procedures and internal controls for the operation of their bank accounts and set out our expectations regarding their bank account signatory arrangements. These policies and controls will help them properly safeguard client money, promptly discharge their liabilities, ensure the availability of financial resources and comply with the regulatory financial resources requirements.

<sup>1</sup> The figure does not include applications for provisional licences. See the licensing applications table on page 7 for details.

<sup>2</sup> The Stock Exchange of Hong Kong Limited.

## Intermediaries

### COVID-19 response

#### Compulsory quarantine exemption scheme

After arrangements for exemptions from compulsory quarantine were made by the Government, we issued a circular in May setting out that senior executives of licensed corporations or their overseas affiliates who are fully vaccinated and meet eligibility criteria may apply for an exemption when they return or travel to Hong Kong. The circular explained the criteria, application procedures and the consequences of contravening the exemption conditions. We issued another circular in June on updates to the scheme after the Government announced revised quarantine measures.

### Business continuity planning

In view of the availability of vaccines under the Government's COVID-19 Vaccination Programme, we issued a circular in June to encourage licensed corporations to consider vaccination as a critical part of operational risk management. Licensed corporations were urged to review their business continuity plans, identify functions which are critical to their business operations and client interests and encourage staff performing these functions to get vaccinated. They were also urged to consider suitable arrangements for critical staff who have not yet been vaccinated, or are unfit for vaccination due to medical conditions, to undergo periodic COVID-19 testing.

### Licensing applications

	Quarter ended 30.6.2021	Quarter ended 31.3.2021	Change (%)	Quarter ended 30.6.2020	YoY change (%)
Applications to conduct new regulated activity	5,570	4,648	19.8	3,491	59.6
Applications for SFC licences <sup>^</sup>	1,563	1,359	15	1,043	49.9

<sup>^</sup> Figures do not include applications for provisional licences. During the quarter, we received 1,132 provisional licence applications compared with 639 in the same quarter last year.

### Intermediary inspections

	Quarter ended 30.6.2021	Quarter ended 31.3.2021	Change (%)	Quarter ended 30.6.2020	YoY change (%)
On-site inspections conducted <sup>^</sup>	71	76	-6.6	74	-4.1

<sup>^</sup> Including inspections conducted remotely in light of the COVID-19 pandemic.

# Products

## Authorisations and registrations

During the quarter ended 30 June, 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.

In May, we authorised the first logistics-focused REIT in Hong Kong, bringing the total number of SFC-authorised REITs to 13 as of 30 June.

We registered and approved 15 open-ended fund companies (OFCs) and their sub-funds, including 10 authorised exchange-traded funds (ETFs), as of 30 June.

## Wealth Management Connect

We have been working with the People's Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission (CSRC), State Administration of Foreign Exchange, Hong Kong Monetary Authority and the Monetary Authority of Macao on the implementation of the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area.

## Mutual Recognition of Funds (MRF)

### Mainland China

Under the Mainland-Hong Kong MRF scheme, as of 30 June, we authorised a total of 48 Mainland funds (including two umbrella funds) whilst the CSRC approved 38 Hong Kong funds.

As of 30 June, the cumulative net subscription was about RMB773.49 million for Mainland funds and about RMB16.39 billion for Hong Kong funds. During the quarter, Mainland funds recorded a net subscription of about RMB111.42 million, down from RMB351.67 million in the previous quarter. Hong Kong funds recorded a net subscription of about RMB1.32 billion this quarter, up from RMB648.51 million last quarter.

### Thailand

Hong Kong's MRF arrangement with Thailand became effective in June 2021<sup>1</sup>. The arrangement allows eligible Hong Kong and Thai public funds to be distributed in each other's market through a streamlined process. The

approval process for local feeder funds investing in MRF-eligible master funds in each other's market will also be expedited. We organised industry briefings to explain the new initiative.

## Grant scheme for OFCs and REITs

In May, we announced the launch of the Government's grant scheme to subsidise the setting up of OFCs and REITs. For OFCs successfully incorporated in or re-domiciled to Hong Kong and SFC-authorised REITs successfully listed on the Stock Exchange of Hong Kong Limited (SEHK), the scheme covers 70% of eligible expenses paid to Hong Kong-based service providers, subject to a cap of \$1 million per OFC and \$8 million per REIT.

The scheme will operate for three years and is open for applications on a first-come-first-served basis. We issued a press release to set out the details (including the eligibility criteria and application process) along with frequently asked questions to provide guidance to the industry.

## ETFs

We worked with SEHK to enhance the efficiency and liquidity of ETFs in the secondary market. Effective May 2021, the trading tariff and minimum stock settlement fee for fixed income and money market ETFs are waived. In addition, different rates of trading fee exemptions for securities market maker transactions now apply to ETFs and leveraged and inverse products based on their liquidity and investment exposures.

Following the first cross-listings of Hong Kong ETFs on the Shenzhen Stock Exchange (SZSE) in October 2020, we worked with the CSRC to expand the cross-listing scheme to the Shanghai Stock Exchange (SSE). The first ETFs were cross-listed on SEHK and SSE in June. We are also working with the CSRC, SSE, SZSE and SEHK towards the launch of ETF Connect.

## ESG funds

In view of the rapid growth of environmental, social and governance (ESG) funds and international regulatory developments, we published a circular<sup>2</sup> on 29 June with enhanced requirements for disclosures and annual assessments of ESG funds, especially those with a climate-related focus. We hosted industry briefings to explain the requirements.

<sup>1</sup> We signed a memorandum of understanding on MRF with the Securities and Exchange Commission of Thailand in January 2021.

<sup>2</sup> The circular supersedes a previous version issued on 11 April 2019.

## Products

### Authorised collective investment schemes

	As at 30.6.2021	As at 31.3.2021	Change (%)	As at 30.6.2020	YoY change (%)
Unit trusts and mutual funds – Hong Kong domiciled	838 <sup>a</sup>	835	0.4	781	7.3
Unit trusts and mutual funds – non-Hong Kong domiciled	1,394	1,382	0.9	1,371	1.7
Investment-linked assurance schemes	300	298	0.7	299	0.3
Pooled retirement funds	33	33	0	33	0
Mandatory provident fund (MPF) schemes	26	27	-3.7	27	-3.7
MPF pooled investment funds	209	212	-1.4	206	1.5
Others	26 <sup>b</sup>	25	4	26	0
<b>Total</b>	<b>2,826</b>	<b>2,812</b>	<b>0.5</b>	<b>2,743</b>	<b>3</b>

a This figure includes 107 approved pooled investment funds (retail APIFs) which MPFs may invest into and may also be offered to the public in Hong Kong.

b Comprising 13 paper gold schemes and 13 REITs.

### Authorised unlisted structured investment products

	As at 30.6.2021	As at 31.3.2021	Change (%)	As at 30.6.2020	YoY change (%)
Unlisted structured investment products <sup>a</sup>	146	146	0	152	-3.9

a On a "one product per key facts statement" basis, including equity-linked investments and deposits.

## Products

### SFC-authorized renminbi investment products

As at  
30.6.2021

<b>Unlisted products</b>	
Unlisted funds primarily investing in the onshore Mainland securities markets <sup>a</sup> or offshore renminbi bonds, fixed-income instruments or other securities	53
Unlisted funds (non-renminbi denominated) with renminbi share classes	295
Paper gold schemes with renminbi features	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	48
Unlisted structured investment products issued in renminbi <sup>b</sup>	145
<b>Listed products</b>	
ETFs primarily investing in the onshore Mainland securities markets <sup>a</sup> or offshore renminbi bonds, fixed income instruments or other securities	42
ETFs (non-renminbi denominated) with renminbi trading counters	19
Renminbi leveraged and inverse products	2
Renminbi gold ETFs <sup>c</sup>	1
Renminbi REITs	1

a Refers to onshore Mainland investments through the Qualified Foreign Investor, Stock Connect, Bond Connect and the China Interbank Bond Market.

b The number is on a "one product per key facts statement" basis.

c Only includes gold ETFs denominated in renminbi.

# Markets

## Supervision of HKEX

We closely monitor the infrastructure-related initiatives and operations of Hong Kong Exchanges and Clearing Limited (HKEX). During the quarter, HKEX upgraded the market data platform for the cash market to enhance its resilience and safeguard market operations in the event of dual server failure. In addition, HKEX improved the data centre infrastructure and facilities for the secondary system for over-the-counter (OTC) clearing.

## Uncertificated securities market

In June, the Legislative Council passed the Securities and Futures and Companies Legislation (Amendment) Bill, which provides for a legal framework to establish and implement an uncertificated securities market in Hong Kong. We are working on subsidiary legislation which will cover the technical and operational details of the new regime and the regulation of persons providing securities

registrar services. We aim to consult the public towards the end of the year. We are also working with HKEX and the Federation of Share Registrars Limited on operational issues and other implementation details.

## OTC derivatives

Together with the Hong Kong Monetary Authority, we issued a joint consultation conclusions paper in June on the annual update to the list of financial services providers under the OTC derivatives clearing regime.

## Automated trading services

As of 30 June, the number of automated trading services (ATS) providers<sup>1</sup> authorised under Part III of the Securities and Futures Ordinance (SFO) was 51, while 24 corporations, including 13 dark pool operators, were licensed under Part V of the SFO to provide ATS.

## ATS providers

	As at 30.6.2021	As at 31.3.2021	Change (%)	As at 30.6.2020	YoY change (%)
Under Part III	51	51	0	52	-1.9
Under Part V	24	24	0	23	4.3

<sup>1</sup> Under the SFO, two regimes regulate ATS providers. Typically, those that offer facilities similar to those of a traditional exchange or a clearing house are authorised under Part III of the SFO. Intermediaries which provide dealing services with ATS as an added facility are licensed under Part V of the SFO.

# Enforcement

## Court proceedings

Following an appeal against the lower court's decision, the Court of Appeal granted compensation orders under section 214<sup>1</sup> of the Securities and Futures Ordinance (SFO) against three former directors<sup>2</sup> of EganaGoldpfeil (Holdings) Limited, who were ordered to pay \$622 million to the company for its loss of funds resulting from their misconduct and failure to act in the best interest of the company.

We obtained a disqualification order in the Court of First Instance (CFI) under section 214 of the SFO against Lin Supeng, a former director of Anxin-China Holdings Limited, for failures in ascertaining the company's financial position. Lin was disqualified from serving as a director or taking part in the management of any corporation in Hong Kong for eight years.

We obtained final orders from the CFI under section 213<sup>3</sup> of the SFO against three boiler room fraudsters<sup>4</sup> purportedly operating from Hong Kong. The Court appointed administrators to distribute approximately \$4.3 million in six bank accounts frozen by us to 75 investors.

The Eastern Magistrates' Court acquitted Leung Pak Keung, a practising solicitor, of five charges of insider dealing in the shares of CASH Financial Services Group Limited.

The Eastern Magistrates' Court issued a warrant to arrest Zeng Lingxi for her failure to appear in Court to answer two charges of obstructing our search operation. Zeng is allegedly a member of a syndicate operating social media ramp and dump scams involving the manipulation of shares of a Hong Kong listed company.

## Market Misconduct Tribunal

The Market Misconduct Tribunal (MMT) fined China Medical & HealthCare Group Limited<sup>5</sup> and six of its former and current directors<sup>6</sup> a total of \$4.2 million for failing to disclose inside information as soon as reasonably practicable. Two of the directors were

disqualified from being a listed company director for up to eight months. The company and the six directors were ordered to pay our investigation and legal costs as well as the costs of the MMT proceedings. The MMT also ordered the directors to attend an SFC-approved training programme on directors' duties and corporate governance.

Following a retrial, the MMT found that Cheng Chak Ngok, former executive director, chief financial officer and company secretary of ENN Energy Holdings Limited, had engaged in insider dealing in the shares of China Gas Holdings Limited. Cheng was disqualified from being a director or taking part in the management of a listed company and was banned from dealing in securities in Hong Kong for 54 months. The MMT also ordered disgorgement of the profit of \$2.95 million gained by Cheng from insider dealing and that the MMT reports be referred to the Hong Kong Institute of Certified Public Accountants with a recommendation to take disciplinary action against Cheng.

The MMT banned Charles Yiu Hoi Ying and Marian Wong Nam, two former executives of Asia Telemedia Limited, from dealing in securities in Hong Kong for three years for insider dealing in the company's shares and ordered to disgorge \$4.2 million from them for the losses they had avoided. The MMT also disqualified Yiu from acting as a director or taking part in the management of a listed company for three years. The MMT further recommended that The Hong Kong Institute of Chartered Secretaries<sup>7</sup> take disciplinary action against Wong.

## Disciplinary actions

During the quarter, we disciplined four corporations and three individuals, including two responsible officers and one regulated person, resulting in total fines of \$5 million.

1 Under section 214 of the SFO, the SFC may seek disqualification, compensation and other orders for breaches of duty by current and former directors of listed corporations.

2 David Wong Wai Kwong, Peter Lee Ka Yue and Chik Ho Yin.

3 Section 213 of the SFO empowers the court to make a broad range of orders including injunctive relief and other civil remedies on the application of the SFC.

4 Broadspan Securities, Shepherds Hill Partners, Hong Kong and Rich Futures (HK) Limited.

5 Formerly known as COL Capital Limited

6 Wong Peng Chong, Kong Muk Yin, Chong Sok Un, Zhang Jian, Ma Wah Yan and Lau Siu Ki. Wong was disqualified from being a listed company director for eight months and Kong for six.

7 Now known as The Hong Kong Chartered Governance Institute.

## Enforcement

### Reprimanded and fined for internal control deficiencies

Company	Breaches	Fine
Deutsche Securities Asia Limited	Issued incorrect statements to prime brokerage clients and delayed reporting the failures to the SFC	\$2.45 million
Ewarton Securities Limited	Failed to diligently supervise an account executive and put in place adequate and effective internal controls to detect and prevent unauthorised activities and ensure client orders were given priority over employee orders	\$1.5 million
Optimas Capital Limited	Failed to ensure that short position reports for a collective investment scheme under its management were accurate and compliant with the requirements under the Securities and Futures (Short Position Reporting) Rules	\$1.05 million

### Other regulatory breaches

We revoked the licence of IDS Forex HK Limited after its sole shareholder, Kim Sunghun, was convicted of illegal fundraising and fraud in Korea. We also banned the company's former co-chief executive officers, Chung Wooman and Ki Bonggan, from re-entering the industry for life.

We suspended the licence of Lun Sheung Nim of GEO Securities Limited for 7.2 months for failing to discharge his duties as a responsible officer and a member of the senior management of the firm.

### Securities and Futures Appeals Tribunal

The Securities and Futures Appeals Tribunal allowed the application for review by Cai Hongping, former Executive Officer and Managing Director of UBS AG, against our decision to ban him from re-entering the industry for five years for failing to discharge his supervisory duties as the principal in the listing application of China Metal Recycling (Holdings) Limited.

### Joint operation with the Police

We conducted a joint operation with the Commercial Crime Bureau of the Hong Kong Police Force in April against a syndicate suspected of operating ramp and dump market manipulation schemes and committing fraud. We searched a Hong Kong listed company's office premises and its senior executives' residences. Four people, including three of the company's senior executives, were arrested by the Police for suspected conspiracy to defraud using bogus transactions to embezzle over \$19 million.

### Warning against social media investment scams

In April, we concluded an online campaign which simulated the experience of being drawn into social media investment scams. Web banners featured language commonly used to lure potential victims to join scam-related chat groups and directed viewers to the SFC's webpage warning against these scams. Over 24,000 viewers clicked on the web banners. We also organised three community outreach events with the Police's Anti-Deception Coordination Centre to raise public awareness.

We issued a circular to licensees in June reminding them of their obligation under the Code of Conduct<sup>8</sup> to notify us of suspected ramp and dump scams.



SFC-Police community outreach event

<sup>8</sup> The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

## Enforcement

### Warning of unregulated virtual asset platforms

In July, we issued a statement to clarify that no entity in the Binance group is licensed or registered to conduct regulated activities in Hong Kong. Binance has offered trading services in stock tokens<sup>9</sup> in a number of jurisdictions. Where stock tokens are “securities”, it may be an offence to offer them to the Hong Kong public without the SFC’s authorisation or registration. The statement urged investors to be extremely careful if they plan to invest in stock tokens offered on unregulated platforms.

### Enforcement cooperation with the CSRC

In June, we held the eleventh high-level meeting on enforcement cooperation with the China Securities Regulatory Commission (CSRC) via video conference. We discussed the latest developments including changes and cooperation arrangements for high-priority cases. We reached a consensus on adjustments to our mutual enforcement cooperation mechanism and also exchanged views on information sharing, staff training and the representative action mechanism to protect the collective interests of investors in securities disputes as set out under the Mainland’s new Securities Law.

### Market surveillance

Our surveillance of untoward price and turnover movements resulted in 2,319 requests for trading and account records from intermediaries in the quarter. In addition, we published four high shareholding concentration announcements to remind investors to exercise caution when trading shares in companies where a small number of shareholders hold a high concentration of shares.



SFC webpage warning against online investment scams

<sup>9</sup> Stock tokens are virtual assets which are represented to be backed by depository portfolios of overseas listed stocks. The prices of the tokens closely track the performance of the stocks. In Hong Kong, stock tokens are likely to be “securities” under the SFO and if so, they are subject to the regulatory remit of the SFC.

## Enforcement

### Enforcement activities

	Quarter ended 30.6.2021	Quarter ended 31.3.2021	Change (%)	Quarter ended 30.6.2020	YoY change (%)
S179 <sup>a</sup> inquiries commenced	15	13	15.4	10	50
S181 <sup>b</sup> inquiries commenced (number of letters sent)	63 (2,319)	55 (1,808)	28.3	55 (2,366)	-2
S182 <sup>c</sup> directions issued	59	49	20.4	30	96.7
Investigations started	62	53	17	33	87.9
Investigations completed	31	37	-16.2	61	-49.2
Individuals and corporations charged in criminal proceedings	2	1	100	2	0
Criminal charges laid	18	17	5.9	3	500
Notices of Proposed Disciplinary Action <sup>d</sup> issued	10	9	11.1	4	150
Notices of Decision <sup>e</sup> issued	7	9	-22.2	12	-41.7
Individuals and corporations subject to ongoing civil proceedings <sup>f</sup>	170	179	-5	155	9.7
Compliance advice letters issued	36	49	-26.5	55	-34.5
Cases with search warrants executed	20	14	42.9	2	900

a Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

b Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.

c Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

d A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

e A notice that sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

f As of the last day of the period.

# Regulatory engagement

## IOSCO

We are actively involved in international policy making. Mr Ashley Alder, the SFC's Chief Executive Officer (CEO), chairs the Board of the International Organization of Securities Commissions (IOSCO). In June, the IOSCO Board meeting discussed IOSCO's priorities for the year including sustainable finance and operational risks arising from the pandemic. Mr Alder also led a leadership sharing session with the IOSCO Affiliate Members Consultative Committee whose members are mainly self-regulatory organisations, industry bodies, national stock exchanges and investor protection and compensation funds.

During the quarter, we participated in meetings of the IOSCO Financial Stability Engagement Group (FSEG), including its Steering Group. The FSEG leads IOSCO's COVID-19 crisis responses related to financial stability issues.

We are a member of IOSCO's Retail Market Conduct Task Force and are involved in the work of the Follow-Up Group on deepening regulatory and supervisory cooperation, the Fintech Network, the Cyber Task Force and the Data Analytics Group.

We participate in all eight IOSCO policy committees, the Committee on Emerging Risks, the Assessment Committee and the Asia-Pacific Regional Committee. Ms Julia Leung, our Deputy CEO and Executive Director, Intermediaries, is a Vice Chair of the IOSCO Sustainable Finance Task Force and co-leads a workstream on sustainability and asset management. In June, the task force issued a final report on corporate sustainability disclosures and a consultation report on proposed recommendations for sustainability-related regulatory and supervisory expectations in asset management.

Mr Alder co-chaired the CPMI<sup>1</sup>-IOSCO Steering Group meetings held in May and June. The group is involved in regulatory policy work for the oversight and supervision of central counterparties and the application of the CPMI-IOSCO Principles for Financial Market Infrastructures to global stablecoin arrangements.

## Financial Stability Board

In his role as IOSCO Board Chair, Mr Alder participated in Financial Stability Board (FSB) meetings including of the Steering Committee, Plenary, Standing Committee on Supervisory and Regulatory Cooperation and Steering Committee Group on Non-bank Financial Intermediation. The discussions focused on financial stability, climate-related initiatives, asset management and issues arising from COVID-19.

We are also actively involved in the work of the FSB Standing Committee on Standards Implementation.

## Green and sustainable finance

In July, the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group<sup>2</sup>, co-chaired by the SFC and the Hong Kong Monetary Authority (HKMA), announced the next steps to advance its collaborative strategy to bolster Hong Kong's position as a leader in green and sustainable finance and help transition the financial ecosystem towards carbon neutrality. As priorities, the steering group will focus on climate change reporting by corporations and financial institutions, carbon market opportunities and capacity building.

We are a member of the European Commission's International Platform on Sustainable Finance and also actively participate in the work of the Network of Central Banks and Supervisors for Greening the Financial System and the United Nations Sustainable Stock Exchanges Initiative Advisory Group.

## Mainland China

In June, we held the ninth high-level meeting with the China Securities Regulatory Commission via video conferencing to discuss cross-boundary regulatory cooperation and market development initiatives, including cooperation in the supervision of financial institutions operating on a cross-boundary basis and enhancements to mutual market access schemes.

<sup>1</sup> Committee on Payments and Market Infrastructures.

<sup>2</sup> Other members of the steering group include the Financial Services and the Treasury Bureau, Environment Bureau, Hong Kong Exchanges and Clearing Limited, Insurance Authority and Mandatory Provident Fund Schemes Authority.

## Regulatory engagement

During the quarter, we worked closely with Mainland authorities to prepare for various initiatives set out in the Greater Bay Area Development Plan, such as Wealth Management Connect and Hong Kong-based financial institutions' business access to the Greater Bay Area. We also cooperated with Mainland authorities to prepare for the implementation of southbound trading under Bond Connect.

### Other engagement

Mr Alder participated in interviews and engaged with industry associations and other stakeholders including the Investment Company Institute, International Swaps and Derivatives Association and the Official Monetary and Financial Institutions Forum to discuss recent regulatory issues.

We joined supervisory colleges hosted in May and June by the Federal Reserve Bank of New York and Swiss Financial Market Supervisory Authority to discuss the regulation of global financial institutions in the challenging business environment.

We also had meetings with overseas regulators and bodies, including the Australian Securities and Investments Commission, the US Securities and Exchange Commission, the US Commodity Futures Trading Commission, Abu Dhabi Global Market Financial Services Regulatory Authority, the UK Financial Conduct Authority and the Bank of England, to exchange views on emerging regulatory developments.

## Stakeholders

We engage with stakeholders proactively to help them understand our work and provide them with up-to-date regulatory information.

Our senior executives spoke at 28 local and international events including virtual briefings and webinars. Our Chief Executive Officer Mr Ashley Alder delivered keynote addresses at the International Swaps and Derivatives Association Annual General Meeting 2021 in May and the Alternative Investment Management Association APAC Annual Forum 2021 in June.

We released the following publications in the quarter:

- The June issue of the *Takeovers Bulletin* highlighted undesirable conduct by practitioners when consulting the Takeovers Executive.
- Our *Annual Report 2020-21*, released in June, set out our key priorities and reviewed our work and achievements in a challenging year.



We issued 13 circulars providing guidance on a wide range of matters, including disclosure of funds' ESG<sup>1</sup> related features, over-the-counter derivatives trade reporting and business continuity planning in view of Hong Kong's COVID-19 vaccination programme.

### Publications and other communications

	Quarter ended 30.6.2021	Quarter ended 31.3.2021	Quarter ended 30.6.2020	YoY change (%)
Press releases	32	33	31	3.2
Policy statements and announcements	1	0	3	-66.7
Consultation papers	1	1	1	0
Consultation conclusions	1	0	3	-66.7
Industry-related publications	1	4	2	-50
Codes and guidelines <sup>a</sup>	0	0	1	-100
Circulars to industry	13	12	21	-38.1
Corporate website average daily page views <sup>b</sup>	27,695	26,305	38,055	-27.2
General enquiries	2,283	1,747	1,953	16.9

a Includes updates to previous versions.

b The average number of webpages browsed per day during the reporting period.

<sup>1</sup> Environmental, social and governance.