

Enhancing SFC's institutional resilience and efficiency

To play a critical role in developing Hong Kong's capital markets, we pursue our own institutional resilience and operating efficiency. In addition to robust budgeting and internal controls, we endeavour to uphold corporate governance, enhance workflows and processes as well as step up communications.

Sound financial and resource management

Our income for the quarter was \$553 million, up 5.9% from the previous quarter and 42.9% from the same quarter last year. On a six-month basis, our income increased 34.4% year-on-year. Average daily turnover in Hong Kong's securities market was \$112 billion, up 20.4% from the same quarter last year. Our expenditure for the quarter was \$557 million, which remained stable compared to the previous quarter and was up 9.4% from the same quarter last year. On a six-month basis, our expenditure was up 9.0% year-on-year. We recorded a deficit of \$4 million for the quarter.

As of 30 September, our reserves stood at \$7.5 billion, of which \$1.2 billion is set aside to support the acquisition of three additional floors and future principal bank loan repayments.

As of 30 September, we had 945 staff members, up from 934 a year ago.

Board appointments

Dr Kelvin Wong Tin-yau, SBS, JP, was appointed the Chairman of the SFC for a term of three years, effective 20 October 2024.¹ He succeeded Mr Tim Lui, GBS, JP, who stepped down on 19 October after having chaired the SFC for six years.

During the quarter, changes to Board membership² included the appointment of Mr Vincent Chan Chun-hung and the re-appointment of Mr Victor Dawes, SC, BBS, as the SFC's Non-Executive Directors (NEDs), both for a term of two years from 1 August 2024. Dr James Lin stepped down as NED in July.

Finance

(\$ million)	Quarter ended 30.9.2024	Six months ended 30.9.2024	Six months ended 30.9.2023	YoY Change (%)
Income	553	1,075	800	34.4
Expenses including depreciation	557	1,116	1,024	9.0
Deficit	(4)	(41)	(224)	-81.7

¹ Post-reporting period.

² Post-reporting period. Mr Keith Pogson was appointed and Mr Chew Fook-aun was re-appointed as NEDs, respectively for a term of two years. The term of Mr Pogson began on 20 October 2024 and the renewed term of Mr Chew will begin on 1 January 2025. Ms Agnes Chan, BBS, stepped down as NED in October 2024.

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Driving regulatory and operational efficiency

In July, we launched a new one-stop online application and submission system named e-IP for investment products. The industry can now submit new product applications and post-authorisation or registration submissions, track progress, and settle fee payments through the new platform. Prior to the launch, an industry webinar was held, with over 700 participants representing product issuers, management companies, advisory firms and industry associations. At the initial stage, a parallel run of existing application and regulatory submission channels up to November 2024 was conducted.

During the quarter, we introduced a generative artificial intelligence (GAI) solution designed to expedite everyday tasks, such as writing-related assignments, conducting basic research and acquiring regulatory knowledge. To ensure proper and secure implementation, we provided staff with usage guidelines and controls regarding the adoption of GAI.

Commitment to carbon neutrality

The SFC has once again received the highest Platinum rating in Swire Properties' Green Performance Pledge programme for 2023-24, demonstrating our commitment to environmental sustainability. We are one of the six tenants to achieve this rating out of over 100 participants. Over the past three years, we have reduced energy and water consumption, and waste generation. We have already achieved a 48.6% reduction in carbon emissions in 2023-24, with our 2030 target at 50%. We conducted energy audits, water flow tests, and upgraded energy-efficient lighting for further emission reduction. Our combined efforts with our CSR Green initiatives to reduce waste and enhance recycling practices in the office are also gaining momentum. We will continue to work towards our sustainability goals for a greener future.

Proactive communications for regulatory transparency and efficiency

We keep stakeholders informed of regulatory updates and explain our work through industry events, publications as well as other engagements and channels. During the quarter, our senior executives spoke at 10 local and international events covering asset management, mutual market access scheme, Fintech, corporate governance and ESG. We were the supporting organisation of four industry events.

In September, our then-Chairman Mr Tim Lui delivered a keynote speech on how to unlock potential during new waves of change at The Hong Kong Institute of Bankers' (HKIB) Annual Banking Conference. He highlighted the importance of innovation and sustainable finance in future-proofing Hong Kong's financial industry and emphasised the SFC's commitment to providing regulatory clarity, certainty and consistency to nurture both Fintech and ESG developments in Hong Kong.



Then-Chairman Mr Tim Lui at HKIB Annual Banking Conference

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Mr Lui delivered another keynote speech in September – at the Directors' Symposium of The Hong Kong Institute of Directors (HKIoD), where he also accepted the award of HKIoD's honorary fellowship. He shared how the board of directors should lead initiatives to develop corporate agility and adapt businesses to emerging challenges through innovation. He also stressed that the SFC is committed to corporate governance and director standards in Hong Kong.



Then-Chairman Mr Tim Lui (middle) receiving the award of HKIoD's honorary fellowship

Also in September, when speaking at The Hong Kong Chartered Governance Institute's 14th Biennial Corporate Governance Conference, CEO Ms Julia Leung called on Hong Kong's listed companies to step up corporate governance to raise global competitiveness, and the city to move on with corporate governance reforms. She urged listed companies to embrace diversity and inclusion and also emphasised the importance of robust internal controls and the critical role of non-executive directors in ensuring good corporate governance.



CEO Ms Julia Leung at The Hong Kong Chartered Governance Institute's 14th Biennial Corporate Governance Conference

At the GIR Live: Asia-Pacific Investigations Summit 2024 held in Singapore in September, Executive Director of Enforcement Mr Christopher Wilson emphasised the critical role of a robust regulatory framework in sustaining Asia's financial market growth. He highlighted the challenges posed by technological advancements and global connectivity, and shared the SFC's approach to "CRAFT" an effective investigation strategy through: Collaboration, Rapid Response, Alliance, Flexibility and Technology.



Executive Director of Enforcement Mr Christopher Wilson at GIR Live: Asia-Pacific Investigations Summit 2024

In September, we published the *Financial Review of the Securities Industry for the first half of 2024*, which summarised financial performance data and statistics on securities dealers and securities margin financiers. The report revealed that Hong Kong's securities industry posted further growth in total net profits for the first half of 2024 amidst higher average daily market turnover and increases in the number of active cash and margin clients.

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In September, we published a joint annual survey with the Hong Kong Monetary Authority on the sale of non-exchange-traded investment products. The survey revealed a strong sales rebound with a 14% increase in total transaction amount to \$4,338 billion in 2023, due to improved overall market sentiment, easing of inflationary pressures and anticipation of the end of the monetary tightening cycle. The number of firms engaged in the sale of investment products grew to 380 in 2023 and about 68% of the firms reported increases in transaction amount. Participating clients also grew by 15% to over 940,000. Money market funds remained the top-selling collective investment schemes while sovereign bonds accounted for 44% of total debt securities sold, up from 29% in 2022, due to investors' preference for lower risk products with more stable yields. Sales of equity-linked products accounted for 61% of all structured products

sales, up from 53% in 2022, driven by the improved stock market performance. The findings enable both regulators to better understand market trends, identify potential risks, and formulate regulatory strategies to protect investors.

During the quarter, we issued 13 circulars to guide the industry on a wide range of topics, including e-IP, distribution of research reports of eligible Mainland exchange-traded funds under Stock Connect, and anti-money laundering and counter-financing terrorism. A total of 77 posts were published on the SFC's social media platforms to promote public awareness of various matters, such as alerts against scams and suspicious investment products, latest developments on sustainability and regulatory updates.

Publications and other communications

	Quarter ended 30.9.2024	Six months ended 30.9.2024
Press releases	45	98
Policy statements and announcements	0	1
Consultation papers	1	2
Consultation conclusions	3	4
Industry-related publications	4	5
Codes and guidelines ^a	7	8
Circulars to industry	13	26
Social media posts ^b	77	177
Corporate website average daily page views ^c	67,965	67,545
General enquiries	918	1,903

^a Includes updates to previous versions.

^b Includes posts on the SFC's Facebook, LinkedIn and WeChat pages.

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