

Highlights

Maintaining market resilience and mitigating harm



Stepping up anti-scam investor education

We launched the new “Don’t be Sucker” anti-scam campaign in December to caution the public against fraudulent schemes. The campaign presented an original cartoon character named “Sucker” (or “Shui Yu/水魚”), along with a theme song, music video and anti-scam tips on social media.



New alerts against



2
suspicious VATPs

5
suspicious investment products

Alerting investors on suspicious activities

We cautioned the public against two suspicious virtual asset trading platforms (VATPs) and five suspicious investment products.

Combatting misconduct

We issued section 179 directions¹ to request information for 41 cases. We also initiated five new enquiries into listed company affairs and 51 new investigations into different forms of misconduct.

¹ 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.

Highlights



Initiated

5

new enquiries into listed companies

51

new investigations into misconduct

We fined four licensed corporations and an individual a total of \$21.31 million. We disciplined five individuals by suspending their licences or prohibiting them from re-entering the industry for seven months to life.

We commenced Market Misconduct Tribunal (MMT) proceedings against Equity Advantage Limited, chairman and executive director of Dickson Concepts (International) Limited for alleged insider dealing.

We obtained a disgorgement order in the MMT of \$353.43 million against former CEO of China Forestry Holdings Company Limited and his investment vehicle for the loss they avoided by insider dealing.



Alerted investors of high shareholding concentration in

4

listed companies



Commenced

57

on-site inspections to ensure intermediaries' compliance and operational resilience

Enhancing regulation and managing risks

The new Type 13 regulated activity (RA 13) regime governing public fund depositaries took effect in October. We granted RA 13 licences or registrations to 19 depositaries and more than 300 individuals.

We concluded in October a consultation on market soundings guidelines which apply to licensed or registered persons. The guidelines will become effective in May 2025.

Leading international standard-setting efforts

In November, our Chief Executive Officer (CEO) Ms Julia Leung and senior executives participated in the IOSCO² Board meeting in Madrid, Spain, to discuss the risk outlook for 2025-26, retail investor protection and Fintech.

In October, we hosted the inaugural meeting of the Supervisory Directors' Network under the IOSCO Asia-Pacific Regional Committee (APRC) in Hong Kong, attended by regulators from over 10 jurisdictions. As APRC Chair, Ms Leung co-chaired the first joint workshop between the IOSCO APRC and the Financial Stability Board's Regional Consultative Group for Asia, where securities market regulators, central banks and finance ministries in the region discussed virtual assets, tokenisation and artificial intelligence (AI).

² International Organization of Securities Commissions.

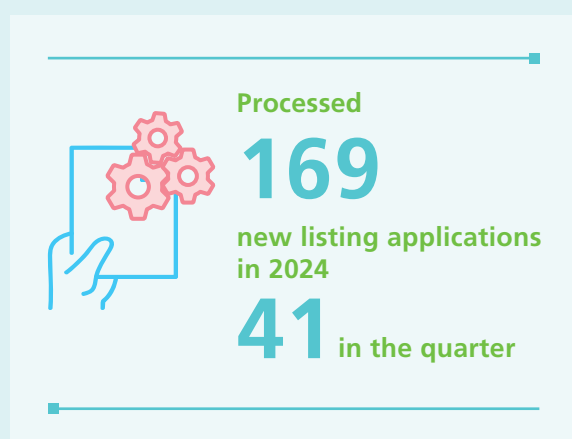
Highlights

Enhancing Hong Kong market competitiveness



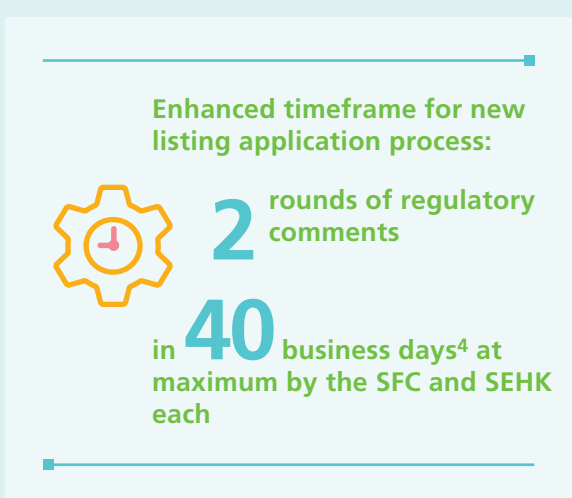
Gatekeeping listing applications

For 2024, we processed 257 listing applications, including 169 new applications. In the quarter, we processed 41 new applications, including one via de-SPAC transaction³, eight from pre-profit biotech firms and two from specialist technology companies.



Enhancing listing market, quality, liquidity and efficiency

Together with the Stock Exchange of Hong Kong Limited (SEHK), we announced an enhanced timeframe for the new listing application process. For all new applications received after the announcement, the SFC's average response time was within 20 business days.



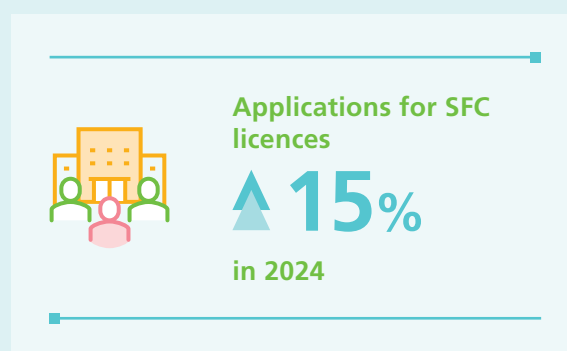
To foster direct communication with sponsors, we held an inaugural IPO Sponsor Forum in December to discuss the IPO vetting process with senior management of sponsor firms.

Working with the SFC, SEHK launched a consultation in December on proposals to optimise IPO price discovery and open market requirements to boost the competitiveness of Hong Kong's listed securities market.

As a result of collaborative efforts with the SFC, Hong Kong Exchanges and Clearing Limited will implement Phase 1 of the reduction of minimum trading spread in the securities market in mid-2025 to reduce market friction and lower transaction cost.

Increase in licence applications

As at 31 December, there were 48,559 licensees and registrants, of which 3,305 were licensed corporations, 45,145 were individuals and 109 were registered institutions.



Strengthening Hong Kong's super-connector role

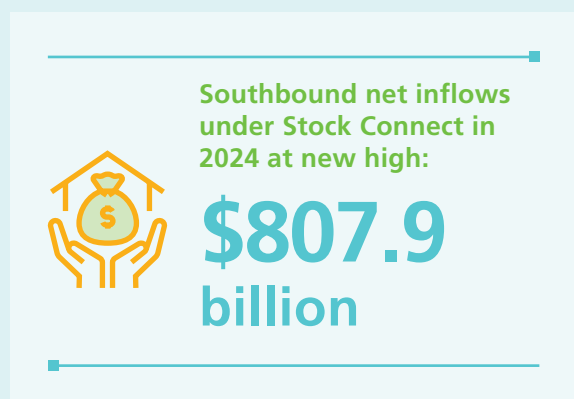
Following the China Securities Regulatory Commission's (CSRC) April 2024 announcement to further support listing in Hong Kong, four leading Mainland enterprises listed here as at end-December.

³ A special purpose acquisition company (SPAC) raises funds through a listing for the purpose of acquiring a business (a de-SPAC target) at a later stage (a de-SPAC transaction) within a pre-defined time period.

⁴ This refers to the number of business days in the hands of the regulators, and excludes the response time of the applicant and its sponsor.

Highlights

Marking its tenth anniversary, Stock Connect saw southbound net inflows surge to an annual record high of \$807.9 billion in 2024.



Enhancements to the Mainland-Hong Kong Mutual Recognition of Funds scheme took effect on 1 January 2025, relaxing sales restrictions and allowing the delegation of investment management functions.

The first batch of 14 licensed corporations eligible for the Wealth Management Connect Pilot Scheme in the Greater Bay Area commenced offering cross-boundary investment services with Mainland partners in December.

Building an offshore RMB and risk management hub

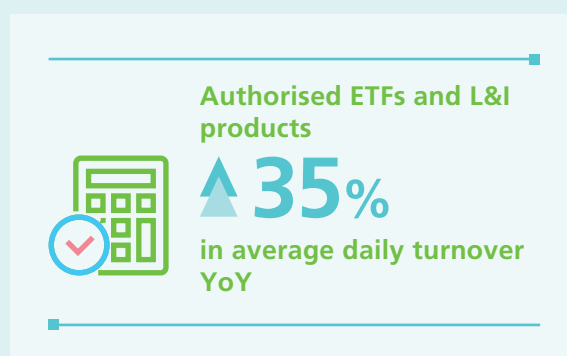
As of end-December, RMB interest rate swap transactions of over RMB4.6 trillion in aggregate notional amount were executed under Swap Connect.

Following the SFC's approval, China Government bonds and policy bank bonds held by overseas investors under Bond Connect became eligible collateral for Swap Connect, effective 13 January 2025.

Hong Kong as an asset and wealth management hub

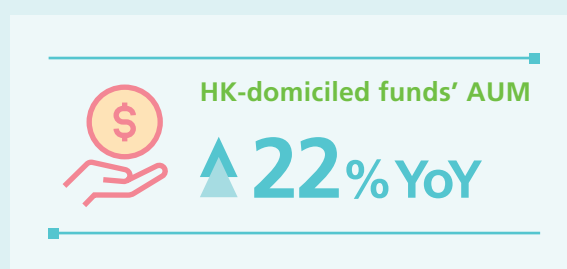
Our CEO Ms Leung and other senior executives joined the Hong Kong delegation to Saudi Arabia in October to enhance regulatory cooperation. The first two Hong Kong-listed exchange-traded funds were cross-listed on the Saudi Exchange.

In 2024, SFC-authorized ETFs and leveraged and inverse products recorded net inflows of \$22.8 billion (US\$2.9 billion) and an average daily turnover of \$18.9 billion (US\$2.4 billion), up 35% from 2023 and equivalent to 14% of the turnover of Hong Kong's stock market.



The first phase of the Integrated Fund Platform, a fund repository, was launched to provide investors with one-stop access to information on SFC-authorized funds.

As at 31 December, the assets under management (AUM) of Hong Kong-domiciled funds decreased 1.4% from the previous quarter and increased 22% year-on-year (YoY) to \$1,641.7 billion (US\$211.4 billion). Net fund inflows amounted to \$162.9 billion (US\$20.9 billion) during the year.



As at 31 December, there were 472 registered open-ended fund companies, up 93.4% YoY, of which 39 were newly registered during the quarter.

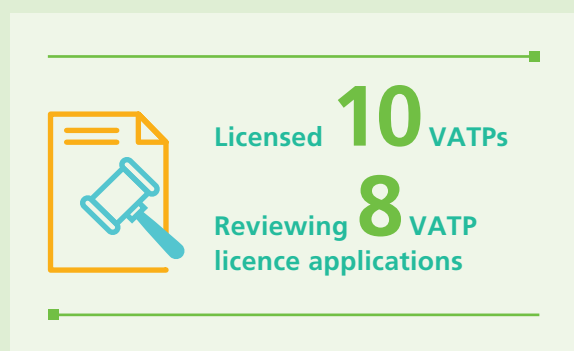
Highlights

Transforming markets via technology and ESG



Enhancing virtual asset regulatory regime

We granted licences to eight VATP applicants, bringing the total number of licensed VATPs to 10 as at end-February 2025. We are considering the licence applications of eight others, four of which are deemed to be licensed.



In December, we provided VATPs with a clear roadmap on their licensing journey and guidance on the revamped second-phase assessment.

We have also established in early 2025 a consultative panel with representatives from each licensee's senior management, to support licensed VATPs and consider their views in our policymaking.

Tokenisation to increase industry efficiency

We have been co-leading with the Hong Kong Monetary Authority the tokenisation initiatives for the asset management industry and providing regulatory guidance to participants in the Project Ensemble Sandbox.

During the quarter, one local bank completed in the sandbox a first-of-its-kind simulation of dealing and trading processes of a tokenised money market fund using tokenised deposits.

Promoting technology development in financial sector

At Hong Kong FinTech Week 2024 co-organised by the SFC, our senior management highlighted our initiatives to foster a vibrant virtual asset market in Hong Kong.

We issued a circular setting out the risks associated with the use of AI language models by licensed corporations and our regulatory expectations.

In December, the HKSAR Government published the Roadmap on Sustainability Disclosure in Hong Kong, which was developed by a dedicated working group co-led by the SFC and the FSTB⁵. It sets out Hong Kong's approach to require publicly accountable entities to adopt the IFRS Sustainability Disclosure Standards and elaborates on the blueprint to develop a local comprehensive ecosystem to support sustainability disclosures.

We worked with SEHK to enhance climate-related disclosure requirements for listed companies. The new requirements took effect in phases from 1 January 2025.

⁵ Financial Services and the Treasury Bureau.

Highlights

Enhancing SFC's resilience and efficiency



Board appointments

Effective 20 October, Dr Kelvin Wong Tin-yau, SBS, JP, was appointed the SFC's Chairman for a three-year term. Mr Keith Pogson was appointed and Mr Chew Fook-aun was re-appointed Non-Executive Directors for two-year terms.

Driving institutional resilience and efficiency

We launched Fund Authorisation Simple Track (FASTrack) to expedite the processing of applications of simple investment funds from specific jurisdictions. We also launched e-IP, an online application and submission system for investment products.

Proactive public communications

Our senior executives spoke at over 40 local and international events on topics including asset management, Fintech, mutual market access, corporate governance and sustainability. We were the supporting organisation of nine industry events.

In November, we co-hosted the "Conversations with Global Investors" forum during the Global Financial Leaders' Investment Summit, which featured more than 20 global leading investors. About 280 public sector and industry leaders from Hong Kong and overseas attended.

We hosted the SFC AML/CFT Regtech Forum for more than 300 participants to encourage responsible Regtech adoption in combatting money laundering and terrorist financing.



Senior executives spoke at **40** events in the quarter