

Enhancing SFC's institutional resilience and efficiency

To gatekeep effectively for the development of Hong Kong's capital markets, we pursue our own institutional resilience and operating efficiency. In addition to robust budgeting and internal controls, we strive to uphold sound corporate governance, enhance processes as well as step up communications.

Sound financial and resource management

We recorded a surplus of \$77 million for the quarter. Our income was \$651 million, up 17.8% from the previous quarter and 17.5% from the same quarter last year. On a nine-month basis, our income increased 27.4% year-on-year. A large part of this was levy income attributable to the 102.3% increase from the same quarter last year in the average daily turnover of Hong Kong's securities market to \$176 billion for the quarter, particularly driven by the high market turnover in October.

Our expenditure for the quarter was \$574 million, up 3% from the previous quarter and up 8% from the same quarter last year. On a nine-month basis, our expenditure was up 8.6% year-on-year.

Finance

| (\$ million) | Quarter ended 31.12.2024 | Nine months ended 31.12.2024 | Nine months ended 31.12.2023 | YoY change (%) |
|---------------------------------|-----------------------------|---------------------------------|---------------------------------|----------------|
| Income | 651 | 1,726 | 1,355 | 27.4 |
| Expenses including depreciation | 574 | 1,690 | 1,556 | 8.6 |
| Surplus/(deficit) | 77 | 36 | (201) | 117.9 |

As of 31 December, our reserves stood at \$7.6 billion, of which \$1.2 billion was set aside to support the acquisition of three additional floors and future principal bank loan repayments.

As of 31 December, we had 959 staff members, up from 952 a year ago.

Board appointments

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

Mr Keith Pogson was appointed and Mr Chew Fook-aun was re-appointed Non-Executive Directors (NEDs) respectively for a term of two years. Their terms began on 20 October 2024 and 1 January 2025, respectively. Ms Agnes Chan, BBS, stepped down as NED in October 2024.

Enhancing SFC's institutional resilience and efficiency

Celebrating 35-year regulatory journey



Keynote address by Mr John KC Lee, Chief Executive of the Hong Kong SAR



Keynote address by Mr Paul Chan, Financial Secretary of the Hong Kong SAR



Toasting ceremony

In October, we hosted a cocktail reception to celebrate our 35th anniversary with public and private sector leaders. Over 300 distinguished guests joined the gathering, including HKSAR's Chief Executive the Honourable Mr John KC Lee, GBM, SBS, PDSM, PMSM and Financial Secretary the Honourable Mr Paul Chan, GBM, GBS, MH, JP, alongside dignitaries from the Central People's Government, senior government officials, members of the Executive Council and the Legislative Council, and senior executives of financial firms.

The event featured keynote speeches underscoring the SFC's role as the guardian of Hong Kong's capital markets over the past 35 years and an original dance specially choreographed by local artists to visualise its

journey. After a toasting ceremony, our Chief Executive Officer (CEO) Ms Julia Leung, SBS, JP, moderated a fireside chat with all seven past and then chairmen of the SFC, who shared their insights on the SFC's evolution since 1989. We also commemorated the 75th anniversary of the People's Republic of China at the event.

Another highlight of our celebration was a lunchtime fireside chat with the SFC's former Chairman (1998-2005), Tan Sri Andrew Sheng, SBS, JP, in October. During the event, he shared his career journey with more than 125 SFC staff members. To make the fireside chat more interactive, colleagues from different divisions took turns to tap into his experience and knowledge on leadership and global geopolitics in relation to the SFC's role as a financial regulator.



Welcoming remarks by then Chairman Mr Tim Lui, GBS, JP



Fireside chat with the SFC's past and then chairmen



Fireside chat with former Chairman Andrew Sheng

Enhancing SFC's institutional resilience and efficiency

Driving institutional resilience and efficiency

To expedite the processing of applications of simple investment funds from specific jurisdictions, we launched the Fund Authorisation Simple Track (FASTrack) in November. To increase transparency, the SFC pledged to grant fund authorisation within 15 business days after receiving quality submissions. We also introduced FASTrack to over 280 industry participants on a webinar, and promoted it to overseas fund industry associations through virtual meetings.

The new one-stop online application and submission system for investment products e-IP became fully operational on 30 November after a four-month parallel run period. Since its launch in July, e-IP had run smoothly and received widespread industry support. We also introduced new features and more advanced settings to further enhance user experience.

During the quarter, we upgraded our internal artificial intelligence (AI) solution to drive operational efficiency in everyday tasks. We also undertook a project to deploy AI in monitoring global regulatory actions and news reports to strengthen our off-site supervision capabilities and identify emerging risks.

Besides, we collaborated with a law enforcement agency in Hong Kong to conduct a cybersecurity review for the SFC's systems to guard against cyber threats. We are also working with another law enforcement agency in Hong Kong on the SFC's policies and processes for managing conflicts of interest and confidential information.

To achieve greater enforcement outcome, we introduced a host of enhancements to optimise operational workflows and increase efficiency. Our Enforcement Division and Legal Services Division conducted

comprehensive operational due diligence on the investigation and enforcement processes. Measures are being implemented to enhance existing processes, gather and analyse evidence more effectively, standardise protocols, leverage data analytics, and streamline cross-divisional processes.

The Enforcement Division is also driving operational efficiency through a number of strategic internal process enhancements. These included developing protocols to use generative AI to streamline the analysis of complex information, exploring speech-to-text technologies to expedite contemporaneous transcription of interviews, and securing direct access to critical operational intelligence in order to proactively identify and mitigate potential risks.

Deploying different channels for regulatory communications

We provide stakeholders with regulatory updates and explain our work through a variety of publications. During the quarter, we released the SFC's *July-September 2024 Quarterly Report* to summarise our key regulatory work, corporate developments and financial information. We also published the quarterly *Takeovers Bulletin* in December.

During the quarter, we issued 27 circulars to guide the industry on a wide range of topics, including licensing for virtual asset trading platforms, voluntary code of conduct for environmental, social and governance ratings and data products providers, and updates on mutual market access schemes. A total of 127 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 corporate governance, sustainability and regulatory updates.

Enhancing SFC's institutional resilience and efficiency

Publications and other communications

| | Quarter ended 31.12.2024 | Nine months ended 31.12.2024 |
|---|-----------------------------|------------------------------------|
| Press releases | 62 | 160 |
| Policy statements and announcements | 1 | 2 |
| Consultation papers | 0 | 2 |
| Consultation conclusions | 2 | 6 |
| Industry-related publications | 1 | 6 |
| Codes and guidelines ^a | 0 | 8 |
| Circulars to industry | 27 | 53 |
| Social media posts ^b | 127 | 304 |
| Corporate website average daily page views ^c | 64,125 | 66,401 |
| General enquiries | 1,120 | 3,023 |

^a Includes updates to previous versions.

^b Includes posts on the SFC's Facebook, LinkedIn and WeChat pages, and the dedicated anti-scam Instagram page launched in December 2024.

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

Enhancing SFC's institutional resilience and efficiency

Proactive industry communications to facilitate regulatory efficiency and transparency

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 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.



Chairman Dr Wong spoke at the HKEX Connect Summit

In November, our Chairman Dr Kelvin Wong delivered a speech at the HKEX Connect Summit which commemorated the 10th anniversary of Stock Connect. He highlighted how Hong Kong has leveraged its position as an international financial centre and the mutual market access scheme to contribute to the growth of the Mainland. Dr Wong also spoke at the Regional Regulatory Forum hosted by the Accounting and Financial Reporting Council in December, calling for collective commitment to the highest standards of financial reporting to achieve a resilient and sustainable market.



Chairman Dr Wong (first left) and CEO Ms Leung (second right) participated in a panel discussion at the Regional Regulatory Forum

In support of the World Investor Week 2024, our then Chairman Mr Tim Lui delivered a keynote speech at the Strike the Gong for Financial Literacy ceremony in October. He emphasised the importance of investor education in empowering investors to protect themselves, and called on investors to take up the responsibilities to be the first line of defence against potential risks.



CEO Ms Leung delivered welcoming remarks at the "Conversations with Global Investors" forum

In November, we co-hosted the "Conversations with Global Investors" forum with the Hong Kong Monetary Authority and the Hong Kong Academy of Finance during the three-day Global Financial Leaders' Investment Summit. The forum featured more than 20 global leading investors, who shared their insights on how to explore new opportunities in different investment markets by managing risks and embracing change. About 280 overseas and local leaders from across the financial industry, businesses and public sector attended the forum.



Executive Director of Investment Products Ms Christina Choi led a panel discussion on global macro conditions, investment outlook and long-term asset allocation strategies

Enhancing SFC's institutional resilience and efficiency

During the October visit to Riyadh, Saudi Arabia, CEO Ms Leung participated at the 8th edition of the Future Investment Initiative Conference (FI18) to share her views about the importance of digital finance and highlight the use of stablecoins to facilitate cross-border payments.



CEO Ms Leung participated at a panel discussion at FI18

Also in November, 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. We also published a report to share the Regtech adoption progress, key drivers and illustrative use cases. In addition, two AML/CFT webinars were organised for

¹ Initial public offering.

close to 1,800 management and compliance personnel from licensed corporations to share our supervisory observations and feedback on suspicious transaction reporting.

To foster direct communications with the sponsor community, we held an inaugural IPO¹ Sponsor Forum in December, which was attended by senior management of sponsor firms. In the event, we explained our proactive IPO vetting approach and process and collected feedback from market participants on the enhanced timeframe for the new listing application process. We also gained a better understanding of sponsors' various pain points throughout the IPO vetting process.

We hosted another two workshops in November for over 200 industry practitioners on our digitalised licensing process and the latest trends in licensing activities. The workshops also covered issues identified from vetting licence applications and compliance with licensing requirements.

As part of our ongoing communication with the securities industry, we hosted a seminar in October to discuss recent developments including those in virtual assets, asset management, and fixed income, currencies and commodities. More than 200 industry representatives attended the seminar.