

# Operational Review



## Corporates

### Listing applications

Our oversight of listing matters includes vetting of listing applications. During the quarter, we vetted 61 new listing applications, including two from companies with a weighted voting rights structure and seven from pre-profit biotech companies. Five companies achieved secondary listings 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 letter of concern and three requisition letters directly to listing applicants during the quarter. Amongst our concerns were the accuracy and completeness of the information submitted, legal and regulatory compliance issues and the genuineness of the financial information in the prospectus.

### Corporate Conduct

We conduct a daily review of corporate announcements under the statutory corporate conduct and inside information disclosure provisions. During the quarter, we issued section 179<sup>2</sup> directions to gather additional information in 17 cases and wrote to detail our concerns in one transaction. These concerns included, for example, whether a corporate action or transaction is conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

### Review of SEHK's work

In July, we published a report on our review of the performance of The Stock Exchange of Hong Kong Limited (SEHK) in its regulation of listing matters during 2018, which identified a number of areas for SEHK to enhance its performance. We reviewed the management of potential conflicts of interest by Hong Kong Exchanges and Clearing Limited (HKEX), the interaction between the Listing Department and HKEX's business units in pre-initial public offering enquiries, oversight of the Listing Department and the Listing Committee's supervisory role. We also examined SEHK's handling of share option schemes<sup>3</sup> and complaints about listing applicants and issuers.

### SEHK's disciplinary powers

Following our recommendation, SEHK published a consultation paper in August on proposals to enhance its disciplinary powers and sanctions. The proposed changes would strengthen SEHK's ability to hold directors and other individuals accountable for misconduct and rule breaches.

<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.

<sup>3</sup> Under Chapter 17 of the Listing Rules.

## Corporates

### Debt market

Together with SEHK, we regularly review the debt capital market regime. SEHK published consultation conclusions in August on changes to the listing regime for debt issues to professional investors only<sup>4</sup>, including raising the net asset requirements for issuers and the minimum issuance size.

### Takeovers matters

On 16 September, we commenced disciplinary proceedings before the Takeovers Panel against Ngai Lai Ha, the chairperson of International Housewares Retail

Company Limited. We identified 13 share acquisitions by Ngai during the period from March to May 2019 which in each instance triggered an obligation to make a mandatory general offer. The proceedings were discontinued when we censured and imposed an 18-month cold-shoulder order against Ngai on 2 November.

To streamline the submission and publication process, documents required to be put on display under the Takeovers Code are required to be submitted electronically via the SFC's online portal beginning 5 October.

### Listing applications and takeovers activities

	Quarter ended 30.9.2020	Six months ended 30.9.2020	Six months ended 30.9.2019	YoY change (%)
Listing applications	61	143	191	-25.1
Takeovers and share buy-backs transactions	114	225	192	17.2

<sup>4</sup> Chapter 37 of the Main Board Rules - "Debt Issues to Professional Investors Only".

# Intermediaries

## Licence applications

As at 30 September, the number of licensees and registrants totalled 47,048, of which 3,122 were licensed corporations.

In the quarter, we received 1,538 licence applications<sup>1</sup> including 54 corporate applications.

## Anti-money laundering

In September, we launched a consultation on proposals to amend our anti-money laundering and counter-financing of terrorism (AML/CFT) guidelines to align with international standards and provide guidance to the securities industry on applying AML/CFT measures in a more risk-sensitive manner. Amendments would help mitigate risks associated with business arrangements such as cross-border correspondent relationships. The proposals also address some areas for enhancement identified in the latest *Mutual Evaluation Report of Hong Kong* published by the Financial Action Task Force in September 2019.

## Climate-related risks in funds

In October, we began a public consultation on proposed requirements for fund managers to take climate-related risks into consideration in their investment and risk management processes and provide investors with appropriate disclosures. We proposed amending the Fund Manager Code of Conduct to provide high-level principles and issuing a circular to the industry to set out our expected baseline requirements and enhanced standards to facilitate fund managers' compliance.

## US sanctions

We issued a press release in August informing the public that we are closely monitoring the potential impact on intermediaries' operations, as well as on investors' interests and the financial stability and orderliness of the markets in Hong Kong, of US sanctions against individuals in Hong Kong and mainland China. We also explained our expectations of intermediaries when considering the implications of the sanctions. For instance, they should carefully assess any legal, business and commercial risks to which they may be exposed and ensure that any response to the sanctions should be necessary, fair, and have regard to the best interests of their clients and the integrity of the market.

## Licensees and registrants

	As at 30.9.2020	As at 31.3.2020	Change (%)	As at 30.9.2019	YoY change (%)
Licensed corporations	3,122	3,109	0.4	3,048	2.4
Registered institutions	113	112	0.9	115	-1.7
Licensed individuals	43,813	43,946	-0.3	44,472	-1.5
<b>Total</b>	<b>47,048</b>	<b>47,167</b>	<b>-0.3</b>	<b>47,635</b>	<b>-1.2</b>

## Licensing applications

	Quarter ended 30.9.2020	Six months ended 30.9.2020	Six months ended 30.9.2019	YoY change (%)
Applications to conduct new regulated activity	5,159	8,650	11,496	-24.8
Applications for SFC licences <sup>^</sup>	1,538	2,581	3,816	-32.4

<sup>^</sup> Figures do not include applications for provisional licences. During the quarter, we received 1,030 provisional licence applications compared with 1,182 in the same quarter last year.

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

## Intermediaries

### Cybersecurity risks

A report we issued in September summarised the findings of our recent thematic review of licensed corporations which engage in internet trading business in Hong Kong and provided guidance on our expected standards for cybersecurity. The report also highlighted good industry practices for improving internet trading systems and controls.

### Clients' trade documents

A 29 September circular updated our guidance on providing trade documents to clients by access through intermediaries' websites. For the purposes of complying with the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules, this method of providing documents should be subject to clients' consent and operational safeguards. Intermediaries have one year from the date of the circular to comply with the extension of the minimum online retrieval periods to two years for monthly statements of account and three months for other required documents.

### Intermediary inspections

	Quarter ended 30.9.2020	Six months ended 30.9.2020	Six months ended 30.9.2019	YoY change (%)
On-site inspections conducted	80	154	188	-18.1

### Corporate professional investors

Also in September, we updated frequently asked questions (FAQs) and issued a circular to provide guidance on assessing corporate professional investors, particularly investment vehicles owned by family trusts or offices and managed by professionals. The FAQs provide practical guidance on how to assess the criteria for an intermediary to be exempted from some Code of Conduct<sup>2</sup> requirements when dealing with a corporate professional investor.

### Family offices

Further to our January 2020 circular on the licensing obligations of family offices, we published FAQs in September to provide additional guidance on the implications of the licensing regime under the Securities and Futures Ordinance for both single- and multi-family offices.

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

# Products

## Authorisations

During the quarter ended 30 September, we authorised 40 unit trusts and mutual funds (including 25 Hong Kong-domiciled funds), one investment-linked assurance scheme (ILAS) and 73 unlisted structured investment products for public offering in Hong Kong.

In July, we authorised the first two sets of leveraged and inverse products tracking the CSI 300 Index, a Mainland equity benchmark.

Also in July, we authorised the first exchange-traded fund (ETF) under our new streamlined requirements<sup>1</sup> for ETFs adopting a master-feeder structure.

## Mutual Recognition of Funds

Under the Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme, as of 30 September, we had authorised a total of 50 Mainland funds (including two umbrella funds), and the China Securities Regulatory Commission (CSRC) had approved 29 Hong Kong funds.

As of 30 September, the cumulative net subscription for Mainland funds was about RMB433.58 million and that for Hong Kong funds was about RMB14.58 billion. During the quarter, Mainland funds recorded a net subscription of about RMB103.21 million, up from RMB6.18 million in the previous quarter. Hong Kong funds recorded a net redemption of about RMB2.35 billion this quarter, compared to a net subscription of RMB1.65 billion last quarter.

## Open-ended fund companies

In September, we released consultation conclusions on proposed enhancements to the open-ended fund companies (OFC) regime. Key changes, which took effect on 11 September, included removing all investment restrictions for private OFCs in Hong Kong and expanding the eligibility requirements for private OFC custodians to include securities brokers. A statutory mechanism for the re-domiciliation of overseas corporate funds to Hong Kong will be introduced upon completion of the legislative process.

We also launched a further consultation on proposals to better align the customer due diligence requirements for OFCs with the practices adopted by other funds in Hong Kong.

## REITs

In November, we released consultation conclusions on proposed amendments to the Code on Real Estate Investment Trusts (REIT Code) to provide Hong Kong REITs with more flexibility in making investments. The revised REIT Code took effect on 4 December.

## Mainland-Hong Kong ETF cross-listing

We and the CSRC announced the approval of four ETFs in August under a scheme which facilitates the cross-listing of ETFs between the Hong Kong and Mainland markets. In October, the two Mainland ETFs were cross-listed on The Stock Exchange of Hong Kong Limited and the two Hong Kong ETFs were cross-listed on the Shenzhen Stock Exchange. All four adopt a master-feeder fund structure and invest in the underlying master ETFs through the Renminbi Qualified Foreign Institutional Investor (RQFII) or Qualified Domestic Institutional Investor channels. The scheme provides investors in both markets with more product choice and investment opportunities.

## Regularising COVID-19 relief measures

In August, we issued FAQs to regularise the temporary relief measures provided for product-related applications due to the COVID-19 outbreak such as allowing documents to be submitted in soft copy only and providing flexibility for fee payments.

## Asset and Wealth Management Activities Survey

The *Asset and Wealth Management Activities Survey* for 2019, released in August, showed that Hong Kong's asset and wealth management business posted strong growth despite the challenges facing global markets. Assets under management (AUM) increased by 20% year-on-year to \$28,769 billion and net fund inflows of \$1,668 billion<sup>2</sup> were recorded during the same period.

<sup>1</sup> See "Circular on streamlined requirements for eligible exchange traded funds adopting a master-feeder structure" dated 16 December 2019.  
<sup>2</sup> Some fund inflows were attributable to business restructuring by international firms which allocated more AUM to Hong Kong in 2019.

## Products

### Authorised collective investment schemes

	As at 30.9.2020	As at 31.3.2020	Change (%)	As at 30.9.2019	YoY change (%)
Unit trusts and mutual funds – Hong Kong-domiciled	800	762	5	792	1
Unit trusts and mutual funds – non-Hong Kong-domiciled	1,375	1,373	0.1	1,417	-3
ILAS	300	299	0.3	299	0.3
Pooled retirement funds	33	33	0	33	0
Mandatory provident fund (MPF) schemes	27	29	-6.9	29	-6.9
MPF pooled investment funds	210	206	1.9	192	9.4
Others	25 <sup>a</sup>	26	-3.8	25	0
<b>Total</b>	<b>2,770</b>	<b>2,728</b>	<b>1.5</b>	<b>2,787</b>	<b>-0.6</b>

a Comprising 13 paper gold schemes and 12 REITs.

### Authorised unit trusts and mutual funds domiciled in Hong Kong – fund flows by type<sup>a</sup>

For the six months ended 30 September, Hong Kong-domiciled funds reported overall net inflows of US\$7,062 million, which was primarily attributed to bond funds and index funds.

	Six months ended 30.9.2020			Six months ended 31.3.2020			Six months ended 30.9.2019		
	Subscription (US\$ mil)	Redemption (US\$ mil)	Net subscription/ (redemption) (US\$ mil)	Subscription (US\$ mil)	Redemption (US\$ mil)	Net subscription/ (redemption) (US\$ mil)	Subscription (US\$ mil)	Redemption (US\$ mil)	Net subscription/ (redemption) (US\$ mil)
Bond	11,047	6,516	4,531	8,813	8,402	411	10,207	5,723	4,484
Equity	8,912	9,164	(252)	7,579	8,583	(1,004)	6,641	8,376	(1,735)
Mixed	2,401	3,284	(883)	3,828	3,952	(124)	3,192	4,240	(1,048)
Money market	8,612	8,409	203	6,356	5,071	1,285	3,153	2,604	549
Fund of funds	2,413	2,532	(119)	2,275	2,167	108	2,252	2,199	53
Index <sup>b</sup>	17,437	13,849	3,588	13,576	13,380	196	11,517	13,626	(2,109)
Guaranteed	0	6	(6)	0	4	(4)	1	7	(6)
Other specialised <sup>c</sup>	0	0	0	0	0	0	25	31	(6)
<b>Total</b>	<b>50,822</b>	<b>43,760</b>	<b>7,062</b>	<b>42,427</b>	<b>41,559</b>	<b>868</b>	<b>36,988</b>	<b>36,806</b>	<b>182</b>

a Based on data reported by funds domiciled in Hong Kong.

b Including ETFs and leveraged and inverse products.

c Including futures and options funds, structured funds and funds which invest in financial derivative instruments.

## Products

### Authorised unlisted structured investment products

	As at 30.9.2020	As at 31.3.2020	Change (%)	As at 30.9.2019	YoY change (%)
Unlisted structured investment products <sup>a</sup>	145	146	-0.7	148	-2

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

### SFC-authorized renminbi investment products

	As at 30.9.2020
<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	51
Unlisted funds (non-renminbi denominated) with renminbi share classes	241
Paper gold schemes with renminbi features	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	50
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	32
ETFs (non-renminbi denominated) with renminbi trading counters	18
Renminbi leveraged and inverse products	2
Renminbi gold ETFs <sup>c</sup>	1
Renminbi REITs	1

a Refers to onshore Mainland investments through the RQFII, 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 ETF denominated in renminbi.

# Markets

## Supervision of HKEX

Following our approval, Hong Kong Exchanges and Clearing Limited (HKEX) launched 33 MSCI index futures contracts in July and August. Referencing the performance of Asia and other emerging market indices, these futures contracts expand HKEX's derivatives product range and provide more trading and hedging tools for market participants.

During the quarter, we approved five more MSCI index futures contracts and one MSCI index options contract proposed by HKEX. The five futures contracts were launched in September.

## OTC derivatives

In July, we issued a circular to remind licensees of updated specifications for over-the-counter (OTC) derivatives trade reporting issued by the Hong Kong Trade Repository. They include refinements to improve data quality and align with international standards.

## Automated trading services

As of 30 September, the number of automated trading services (ATS) providers<sup>1</sup> authorised under Part III of the Securities and Futures Ordinance (SFO) was 52, while 23 corporations, including 13 dark pool operators, were licensed under Part V of the SFO to provide ATS.

## ATS providers

	As at 30.9.2020	As at 31.3.2020	Change (%)	As at 30.9.2019	YoY change (%)
Under Part III	52	54	-3.7	49	6.1
Under Part V	23	25	-8	25	-8

<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

In July, the Appeal Committee of the Court of Final Appeal (CFA) dismissed the application of Andrew Left of Citron Research for leave to appeal to the CFA against the judgment of the Court of Appeal (CA). In August 2016, the Market Misconduct Tribunal (MMT) found Left culpable of disclosing false or misleading information inducing transactions in a 2012 report on Evergrande Real Estate Group Limited<sup>1</sup>.

The Eastern Magistrates' Court convicted and fined:

- Ke Wen Hua, for false trading in respect of the shares of Carry Wealth Holdings Limited through six securities accounts under his control.
- Simon Chan Ying Ming, a former officer of Wonderful Wealth Group Limited<sup>2</sup>, for holding out as carrying on a business in dealing in futures contracts and providing asset management services without an SFC licence.
- Brilliance Capital Management Limited and its director Law Sai Hung, for holding out as carrying on a business in advising on corporate finance without an SFC licence.

- Lau Tin Yau, for providing false or misleading information to the SFC in two licence applications and in his annual licensing return, and for failing to notify the SFC of his criminal conviction and disciplinary proceedings against him.

We commenced MMT proceedings against Tianhe Chemicals Group Limited and its executive director, Wei Xuan, for allegedly overstating Tianhe's revenue by over RMB6.7 billion in its listing prospectus. We are also seeking orders from the Court of First Instance under section 213 of the Securities and Futures Ordinance (SFO) to restore Tianhe's public shareholders to their positions before their subscriptions or purchases of Tianhe shares.

We commenced criminal proceedings against five individuals<sup>3</sup> for conspiring to carry out false trading in the shares of Ching Lee Holdings Limited and against Zeng Lingxi for obstructing SFC employees in the execution of a search warrant.

## Disciplinary actions

We disciplined two licensed corporations and seven individuals during the quarter resulting in total fines<sup>4</sup> of \$6.7 million. In October, we fined Goldman Sachs (Asia) L.L.C. US\$350 million (HK\$2.71 billion) for serious lapses and deficiencies in its management supervisory, risk, compliance and anti-money laundering controls in 1Malaysia Development Berhad's bond offerings.

## Sponsor failures

Company/Name	Breaches	Action
Fabian Shin Yick	Failed to discharge his duties as a sponsor principal, a responsible officer and a member of the senior management of Yi Shun Da Capital Limited	Banned from re-entering the industry for 20 months
Lai Voon Wai	Failed to discharge his duties as a sponsor principal and a responsible officer of CCB International Capital Limited and BOCOM International (Asia) Limited in two listing applications	Banned from re-entering the industry for five years

<sup>1</sup> Left's appeal to the CA was dismissed in February 2019, and his application for leave to further appeal to the CFA was dismissed in July 2020.

<sup>2</sup> The company was dissolved in November 2017.

<sup>3</sup> Sit Yi Ki, Lam Wing Ki, Tam Cheuk Hang, Simon Suen Man and Ho Ming Hin.

<sup>4</sup> Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

## Enforcement

### Unauthorised transactions

Company/Name	Breaches	Action
Lai Wing Fat	Conducted unauthorised transactions in client accounts	Banned from re-entering the industry for 20 months
Chan Yiu Ting	Conducted unauthorised transactions in a client account	Banned from re-entering the industry for 18 months
Mung Wai Sun	Conducted unauthorised transactions in a client account	Suspended for nine months

### Other regulatory breaches

Company/Name	Breaches	Action
The Bank of East Asia, Limited	Failed to segregate client securities from proprietary securities	Reprimanded and fined \$4.2 million
Ts'o Jing	Falsely claimed that clients opening securities accounts had to pay an additional sum, pocketed the money and fabricated receipts	Banned for life
Masy Lo Mee Chi	Fabricated a signature in connection with the purchase of a fund	Banned from re-entering the industry for eight months
China Everbright Securities (HK) Limited	Pledged clients' securities to banks without valid authorisation from the clients	Reprimanded and fined \$2.5 million

### Restriction notices

During the quarter, we issued restriction notices to five brokers<sup>5</sup>, prohibiting them from disposing of or processing specified assets held in trading accounts related to suspected market manipulation or other misconduct. Our investigations are ongoing.

An account holder concerned in two of the restriction notices lodged a review application with the Securities and Futures Appeals Tribunal (SFAT), seeking their withdrawal. On 23 September the SFAT rejected the review application because the restriction notices were made in respect of two licensed corporations and the SFAT did not have jurisdiction to hear a review application by an account holder.

### Social media investment scams

We launched a campaign to warn the public about the risks of falling victim to social media investment scams. A special edition of our Enforcement Reporter explained how these scams operate and provided tips for avoiding them.

### Market surveillance

Our surveillance of untoward price and turnover movements resulted in 2,417 requests for trading and account records from intermediaries in the quarter.

We published five 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.

### Cooperation with the CSRC

During the quarter, the China Securities Regulatory Commission (CSRC) provided investigatory assistance for several of our cases despite travel restrictions amidst the COVID-19 pandemic. We also held in-depth discussions on high-priority cases with the CSRC.

<sup>5</sup> Gary Cheng Securities Limited, Zhongcai Securities Limited, China Gather Wealth Financial Company Limited, Power Securities Company Limited and Shenwan Hongyuan Securities (H.K.) Limited.

## Enforcement

### Enforcement activities

	Quarter ended 30.9.2020	Six months ended 30.9.2020	Six months ended 30.9.2019	YoY change (%)
S179 <sup>a</sup> inquiries commenced	6	16	21	-23.8
S181 <sup>b</sup> inquiries commenced (number of letters sent)	78 (2,417)	133 (4,783)	128 (5,070)	-5.7
S182 <sup>c</sup> directions issued	56	86	120	-28.3
Investigations started	57	90	126	-28.6
Investigations completed	54	115	90	27.8
Individuals and corporations charged in criminal proceedings	6	8	5	60
Criminal charges laid	8	11	8	37.5
Notices of Proposed Disciplinary Action <sup>d</sup> issued	9	13	17	-23.5
Notices of Decision <sup>e</sup> issued	7	19	26	-26.9
Individuals and corporations subject to ongoing civil proceedings <sup>f</sup>	155	155	146	6.2
Compliance advice letters issued	54	109	133	-18
Cases with search warrants executed	2	4	8	-50

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, our Chief Executive Officer, is Chair of the Board of the International Organization of Securities Commissions (IOSCO). During the quarter, he chaired regular IOSCO Board meetings which were held virtually due to the ongoing COVID-19 pandemic. Discussions focussed on capital market issues arising from the crisis and emerging regulatory developments.

We are a member of the IOSCO Financial Stability Engagement Group and its Steering Group which coordinates IOSCO's role in ensuring financial stability in close contact with the Financial Stability Board (FSB).

We participate in all eight IOSCO policy committees as well as the Committee on Emerging Risks, Assessment Committee and Asia-Pacific Regional Committee (APRC). We joined the Retail Market Conduct Task Force and participate in its follow-up work to deepen regulatory and supervisory cooperation. We also participate in the Fintech Network, Cyber Task Force and Data Analytics Group.

We lead the APRC's working group on sustainable finance which focusses on capacity building and enhancing the regulation of ESG<sup>1</sup> and climate-related disclosures in the region. Ms Julia Leung, our Deputy Chief Executive Officer and Executive Director, Intermediaries, co-leads a workstream on sustainability and asset management under the Sustainability Task Force.

Our senior executives have been appointed Vice Chairs of the Committee on Investment Management and the Committee on Enforcement and the Exchange of Information for the 2021-22 term.

## FSB

Mr Alder, in his role as IOSCO Board Chair, participated in virtual meetings of the FSB's Steering Committee, Plenary, Standing Committee on Supervisory and

Regulatory Cooperation and Steering Committee Group on Non-bank Financial Intermediation. Mr Alder moderated an industry discussion on the impact of the pandemic on the global financial system during the FSB's stakeholder outreach meeting in September.

## Mainland China

During the quarter, we maintained close communication with the China Securities Regulatory Commission (CSRC) and other Mainland authorities on cross-boundary regulatory cooperation, including the financial reporting of A+H companies, the supervision of financial institutions operating on a cross-boundary basis and the expansion of mutual market access schemes such as the cross-listing of exchange-traded funds between Hong Kong and the Mainland<sup>2</sup>.

## Regulatory collaboration

Following the introduction of the direct regulatory regime for insurance intermediaries, the SFC entered into a new Memorandum of Understanding with the Insurance Authority in September which covers information sharing, case referrals and joint inspections and investigations.

## Green and sustainable finance

During the quarter, our Climate Change Technical Expert Group, chaired by Ms Julia Leung, provided views and support in formulating regulatory policy on the management of climate change risks and providing practical guidance to the asset management industry.

In October, we launched a public consultation on requirements for fund managers to take climate-related risks into consideration<sup>3</sup>.

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

<sup>2</sup> See Products on pages 8-10.

<sup>3</sup> See Intermediaries on pages 6-7.

## Regulatory engagement

We continued to implement other goals as set out in our strategic framework<sup>4</sup>, including to foster collaboration across relevant authorities. In November, Mr Alder co-chaired the second meeting of the Green and Sustainable Finance Cross-Agency Steering Group with participation from the Government and the other financial regulators. The Steering Group, initiated by the SFC, will coordinate a comprehensive green and sustainable finance strategy for Hong Kong in its capacity as one of the world's leading international financial centres.

Mr Alder participated in the September launch of the Greater Bay Area Green Finance Alliance, which aims to promote research and incubate green investments across the region.

Globally, we actively participate in the Central Banks and Supervisors' Network for Greening the Financial System and the United Nations Sustainable Stock Exchanges Initiative Advisory Group. Mr Alder delivered a keynote address at a UN Principles for Responsible Investment event in September.

### Other regulatory engagement

To keep abreast of regulatory developments, we held virtual meetings and calls during the quarter with the Australian Securities and Investments Commission, UK Financial Conduct Authority, US Commodity Futures Trading Commission, US Securities and Exchange Commission and other overseas regulators.

<sup>4</sup> The SFC announced its Strategic Framework for Green Finance in 2018.

# Stakeholders

Our engagement with stakeholders helps them understand our work and provides them with up-to-date regulatory information.

In September, we introduced our official Facebook page which features updates on topics of interest to the general public, including investor warnings about market risks, fraud and scams. Information of interest to the financial industry and other professionals is posted on the SFC's LinkedIn page.

Also in September, we launched a campaign to warn the public about the use of social media platforms to defraud investors, particularly ramp and dump schemes and scammers who impersonate well-known investment advisors and popular market commentators.

During the quarter, we supported two industry events and our senior executives spoke at nine local and international webinars and virtual meetings. We also held meetings with industry associations to understand their views on regulatory issues. In interviews with two publications, *Hong Kong Lawyer* and *Asia Risk*, our Chief Executive Officer Mr Ashley Alder discussed the SFC's regulatory approach and response to the COVID-19 outbreak.

We hosted the SFC Compliance Forum on a virtual platform in October. During the one-day event, regulators and industry participants discussed the risks and opportunities facing the securities industry and capital markets, the management of liquidity, prudential and market risks, sustainable finance, family offices, private wealth management and anti-money laundering and counter financing of terrorism.

We were a co-organiser of Hong Kong FinTech Week 2020 in November. Our senior executives delivered speeches and hosted panel discussions on regulatory issues related to the development of financial technology during the event.



SFC Facebook page

We released the following publications in the quarter:

- The *Asset and Wealth Management Activities Survey 2019* provided a comprehensive overview of the asset and wealth management industry in Hong Kong<sup>1</sup>.
- A special issue of *Enforcement Reporter* warned the public about stock investment scams conducted through social media platforms.
- The *Financial Review of the Securities Industry* provided statistics on the financial positions of securities dealers and securities margin financiers as well as the financial performance of SEHK<sup>2</sup> participants in the first half of 2020.
- The *Half-yearly Review of the Global and Local Securities Markets* discussed the performance of major stock markets as well as risks and uncertainties facing Hong Kong and international markets.
- The September issue of the *Takeovers Bulletin* reminded offeree companies about exclusivity agreements and introduced a new platform for the electronic submission of documents on display.

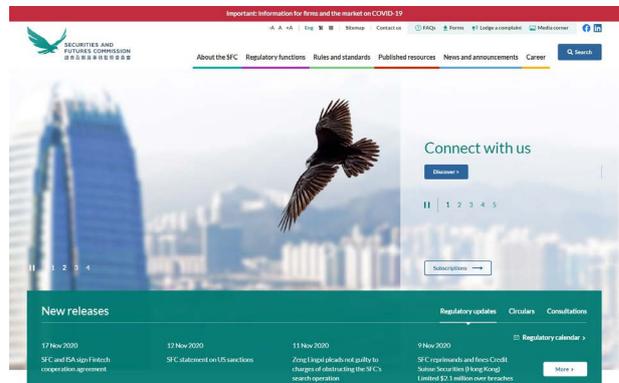
<sup>1</sup> See Products on pages 8-10.

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

## Stakeholders

During the quarter, we issued statements about the new National Security Law, US government sanctions and Next Digital Limited. We also issued 13 circulars providing guidance on a number of matters, including internet trading cybersecurity, over-the-counter derivatives reporting, corporate professional investors and updates on anti-money laundering and counter-terrorist financing.

The redesigned corporate website we introduced in October provides an improved user experience in terms of navigation, functionality and information search.



Redesigned SFC corporate website

## Publications and other communications

	Quarter ended 30.9.2020	Six months ended 30.9.2020	Six months ended 30.9.2019	YoY change (%)
Press releases	33	64	64	0
Policy statements and announcements	4	7	2	250
Consultation papers	2	3	2	50
Consultation conclusions	1	4	2	100
Industry-related publications	5	7	7	0
Codes and guidelines <sup>a</sup>	3	4	5	-20
Circulars to industry	13	32	40	-20
Corporate website average daily page views <sup>b</sup>	42,832	40,456	53,945	-25
General enquiries	1,636	3,589	3,298	8.8

a Includes updates to previous versions.

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