

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). IOSCO's Annual Meeting, held virtually in November, focussed on sustainable finance and issues arising from COVID-19 as well as emerging regulatory developments related to IOSCO's priorities for the year.

We participate in the IOSCO Financial Stability Engagement Group to coordinate IOSCO's engagement with the Financial Stability Board (FSB) when addressing financial market vulnerabilities arising in connection with the COVID-19 pandemic.

We participate in all eight IOSCO policy committees as well as the Committee on Emerging Risks, Assessment Committee and the Asia-Pacific Regional Committee (APRC). We lead the APRC's working group on sustainable finance to facilitate capacity building and enhance the regulation of ESG¹ and climate-related disclosures in the region. Mr Tim Lui, the SFC's Chairman, and Ms Julia Leung, our Deputy CEO and Executive Director, Intermediaries, participated in an APRC meeting in November.

Ms Leung co-leads IOSCO's Task Force on Sustainable Finance and a workstream on sustainability and asset management. We are also a member of the Retail Market Conduct Task Force and the Follow-Up Group on market fragmentation, whose current focus is to deepen regulatory and supervisory cooperation.

Mr Alder co-chairs the CPMI-IOSCO²-Steering Group to coordinate policy work for the supervision of central counterparties and other financial market infrastructure.

Financial Stability Board

In his role as the IOSCO Board Chair, Mr Alder participated in virtual FSB meetings, including of the Steering Committee, Plenary, Standing Committee on Supervisory and Regulatory Cooperation and the Steering Committee Group on Non-bank Financial Intermediation.

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

Mainland China

In December, we held the eighth high-level meeting with the China Securities Regulatory Commission in a virtual format to discuss cross-boundary regulatory cooperation and market development initiatives, including the expansion of eligible securities under Stock Connect³ and enhancements to the ETF⁴ cross-listing and MRF schemes.

During the quarter, we worked closely with the Mainland authorities to implement a number of initiatives set out in the Greater Bay Area development plan. These included preparations for launching the Wealth Management Connect scheme and facilitating Hong Kong financial institutions' business operations in the Greater Bay Area.

Green and sustainable finance

In October, we published a consultation paper⁵ on proposed requirements for fund managers to consider climate-related risks in their investment and risk management processes and make appropriate disclosures.

1 Environmental, social and governance.

2 Committee on Payments and Market Infrastructures.

3 These include stocks listed on the Shanghai Stock Exchange STAR Market and Hong Kong-listed pre-revenue biotech stocks.

4 Exchange-traded fund.

5 See Intermediaries on pages 6-7.

Regulatory engagement

We collaborate with other members⁶ of the Green and Sustainable Finance Cross-Agency Steering Group and stakeholders to advance the development of green and sustainable finance in Hong Kong. In November, we hosted a steering group meeting co-chaired by Mr Alder and Mr Eddie Yue of the Hong Kong Monetary Authority (HKMA). In December, the steering group jointly released a strategic plan with near-term action points to strengthen Hong Kong's financial ecosystem.

Ms Julia Leung chairs the Climate Change Technical Expert Group which provides technical views and helps formulate our regulatory policies to manage climate risks and offer practical guidance to the asset management industry.

In December, the HKMA and the SFC became members of the European Commission's (EC) International Platform on Sustainable Finance (IPSF) which encourages private capital to make environmentally sustainable investments. We actively participate in the Network of Central Banks and Supervisors for Greening the Financial System and the United Nations Sustainable Stock Exchanges Initiative Advisory Group.

Other regulatory engagement

During the quarter, Mr Alder engaged with industry associations to discuss the regulatory response to COVID-19 and market stress⁷. We held virtual meetings and calls to discuss emerging regulatory developments with the EC, Australian Securities and Investments Commission, New Zealand Financial Markets Authority, Monetary Authority of Singapore, US Securities and Exchange Commission and the Commodity Futures Trading Commission, Autorité des marchés financiers of France, UK Financial Conduct Authority and the Japan Financial Services Agency.

In November, we held our 12th Bilateral Regulatory Meeting with the Taiwan Financial Supervisory Commission via video conference to exchange views on the use of regulatory technology as well as COVID-19 challenges and regulatory responses.

⁶ These include the Financial Services and the Treasury Bureau, Environment Bureau, Hong Kong Exchanges and Clearing Limited, Insurance Authority and the Mandatory Provident Fund Schemes Authority.

⁷ Including the Securities Industry and Financial Markets Association, Investment Company Institute, Official Monetary and Financial Institutions Forum and the Asian Corporate Governance Association.