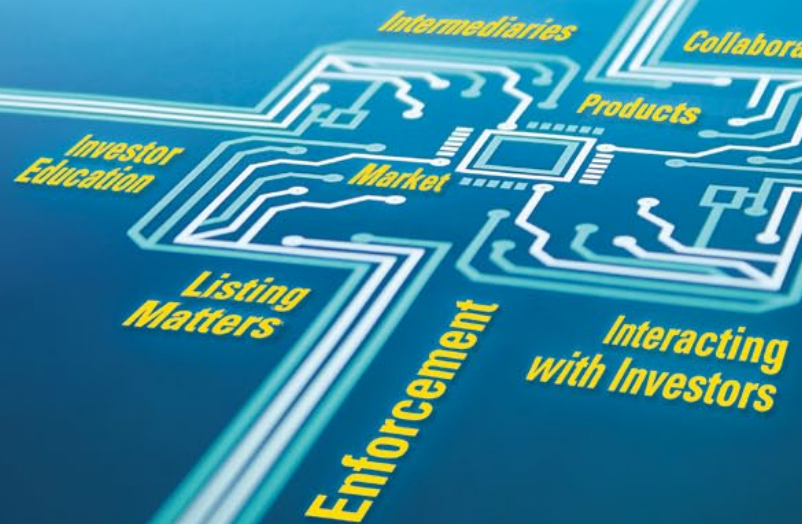
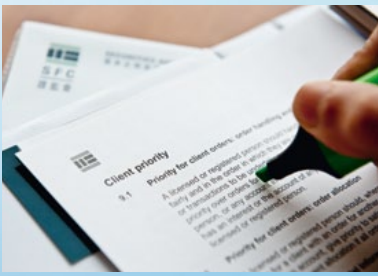


Operational Review



A circuit board will not work if one connection or component fails. In much the same way, our work depends on every unit of the organisation pulling together to support our multiple regulatory functions.

As the ripple effect of the financial crisis spread from North America to Europe in the past year, closer global collaboration has become the order of the day for Asian markets as well. Increasingly complex financial products being traded globally have resulted in markets getting more and more intertwined. To mitigate systemic risks inherent in interconnectivity, we fully support efforts of global standard setters to promulgate regulatory reforms.

In the past year, we became responsible for the regulation of credit rating agencies and, in line with global initiatives, we commenced reviews concerning the regulation of the over-the-counter (OTC) derivatives market and short selling. Meanwhile, since Hong Kong's markets continued to expand – first as an offshore centre for a wider range of renminbi products and second, as a capital raising venue for overseas entities – we also devoted much effort to upgrading the

market infrastructure, updating various regulations and promoting compliance, as well as strengthening investor protection and education.

On a daily basis, we closely monitored risks and volatility in the external environment and conducted surveillance work at multiple levels to help contain local market risks. When we saw the need, we launched investigations and enforcement actions to combat market misconduct and restore discipline. In the process, our various operational units interacted with one another to deal effectively with the prevailing local imperatives and ensure that our markets align with international standards.

This chapter summarises the key efforts we made during the reporting period to enhance every aspect of our regulatory work: intermediaries, market infrastructure and trading, listing matters, investment products, enforcement, regulatory collaboration and interacting with investors. Collaboration – both internal and external – was crucial in helping us reach our milestones.