

Highlights

Regulatory enhancements

- **Listing regulatory structure:** We are working with Hong Kong Exchanges and Clearing Limited to analyse market responses to the joint consultation on proposed enhancements to the decision-making and governance structure for listing regulation.
- **Asset management review:** We began a public consultation on proposals to enhance asset management regulations and point-of-sale transparency.
- **MIC initiative:** We published a circular on the Manager-In-Charge (MIC) initiative, which aims to clarify the accountability of the senior management of licensed corporations.
- **Suitability circulars:** We issued circulars and updated our frequently asked questions to provide clarification and guidance on licensees' existing suitability obligations.
- **Mandatory online submissions:** We worked to implement the requirement that all individuals use the SFC Online Portal to submit their licensing applications, notifications and annual returns from 1 February 2017.

Listings and takeovers

- **Listing applications:** Under the dual filing regime, we vetted 193 listing applications alongside The Stock Exchange of Hong Kong Limited (SEHK) in the nine months to December, up 12.9% year-on-year.
- **Monitoring rights issues:** Together with SEHK, we are closely monitoring rights issues and open offers which substantially dilute the interests of non-subscribing minority shareholders and are reviewing the relevant Listing Rules.
- **Takeovers matters:** The Takeovers Executive¹ publicly censured Zheng Dunmu, chairman and executive director of Changgang Dunxin Enterprise Company Limited, for breaching mandatory offer requirements under the Takeovers Code.

Intermediaries

- **Licensees and registrants:** As of 31 December 2016, the total number of licensed corporations, individuals and registered institutions reached a record high of 42,665. The number of licensed corporations rose 11% to 2,411, also a record high.
- **Intermediary inspection:** We conducted 89 risk-based on-site inspections on licensed corporations to review their compliance with relevant regulatory requirements.

Market development

- **Stock Connect:** Trading under Shenzhen-Hong Kong Stock Connect began on 5 December.
- **MoU with Switzerland:** We signed a Memorandum of Understanding (MoU) with the Swiss Financial Market Supervisory Authority on mutual recognition of funds.

Enforcement

- **Disciplinary actions:** We disciplined five licensed corporations and 11 representatives, resulting in total fines of \$9.8 million.
- **Market surveillance:** We made 2,084 requests for trading and account records from intermediaries following our surveillance of untoward price and turnover movements.

Global engagement

- **IOSCO meeting:** We hosted the October meeting of the Board of the International Organization of Securities Commissions (IOSCO) in Hong Kong.

Stakeholder communication

- **Fintech:** We organised the SFC Regtech and Fintech Contact Day in November.

¹ This refers to the Executive Director of the SFC's Corporate Finance Division or his delegate.