

Intermediaries

Licence applications

In the quarter, we received 1,698 licence applications¹, down 6.5% from the same quarter in 2016, while the number of corporate applications remained the same at 80.

As at 30 June, the number of licensees and registrants totalled 43,204, up 3.1% year-on-year, while the number of licensed corporations grew 13% to 2,549. Both were record highs.

Senior management accountability

Under the Manager-In-Charge (MIC) Regime which took effect on 18 April, corporate licence applicants must submit management structure information and organisational charts to the SFC. Existing licensed corporations were required to submit this information by 17 July.

We issued a circular in mid-June to remind the industry that MICs of overall management oversight and key business line functions of licensed corporations should apply for approval to become responsible officers by 16 October.

To facilitate the submission of MIC information from the more than 2,500 existing licensed corporations, we enhanced the SFC Online Portal and introduced its new features at a series of industry workshops we organised between February and April.

Substantial shareholders and responsible officers

A circular issued at the beginning of June reminded the industry that we may revoke the licences of corporations and individuals if they do not genuinely carry out a business in a regulated activity. This followed our observation that an increasing number of persons with no prior industry experience were seeking to set up or acquire licensed corporations in Hong Kong. Some responsible officers might be hired by these licensed corporations in name only and not have sufficient authority over the firms' management or operations. The circular also clarified that the vetting process for a substantial shareholder application is no less stringent than for a new corporate licence application.

Licensing information

In April, we published a comprehensive Licensing Handbook which consolidates and provides easier access to the licensing information previously contained in the Licensing Information Booklet and in frequently asked questions (FAQs) and circulars. The licensing section of the SFC website was also revamped to improve the user experience.

Competence requirements

On 23 June, we issued a circular to clarify certain competence requirements for existing licensed persons seeking to be licensed for Type 9 regulated activity (asset management) and to provide further guidance on how the SFC assesses the competence of a corporation or a responsible officer to carry on asset management activities.

For example, a responsible officer licensed for Type 1 regulated activity (dealing in securities) may, subject to the SFC's discretion, be licensed to engage in Type 9 regulated activity (asset management) without sitting for the required examination papers if he or she has five or more years of related experience in managing discretionary accounts as a wholly incidental activity and completes additional continuous professional training hours. The responsible officer's firm can then carry on discretionary account management business which is no longer restricted to being incidental to its dealing activities.

The circular was issued in response to enquiries from existing licensed persons who intend to broaden their business scope to include asset management.

Financial Resources Rules

In July, we published consultation conclusions on the proposed regulatory capital regime for licensed corporations engaged in over-the-counter (OTC) derivatives activities and other changes to the Securities and Futures (Financial Resources) Rules (FRR). We will implement the proposals, subject to modifications, and conduct a further consultation on some modified and additional FRR proposals, which are not specific to OTC derivatives activities, to reflect recent market developments.

¹ The figure does not include applications for provisional licences. See the licensing applications table on page 5 for details.

Intermediaries

Cybersecurity

In May, we launched a two-month consultation on our proposals to reduce and mitigate hacking risks associated with internet trading, setting out 20 baseline cybersecurity requirements including for two-factor authentication and notifications to clients. We conducted or co-hosted a series of presentations and seminars on our proposals for about a thousand industry participants.

Financial resolution regime

Together with the Government, the Hong Kong Monetary Authority (HKMA) and the Insurance Authority (IA), in April we jointly released the consultation conclusion on the Protected Arrangements Regulation which imposes appropriate constraints on the resolution authorities (namely, the HKMA, the IA and the SFC) under the Financial Institutions (Resolution) Ordinance².

Monitoring and promoting compliance

During the quarter, we conducted 74 risk-based on-site inspections of licensed corporations to review their compliance with relevant regulatory requirements.

In May, we issued a circular to alert the industry of ransomware threats and a circular to financial advisers in relation to their advisory work on valuations in corporate transactions.

Licenses and registrants

	As at 30.6.2017	As at 31.3.2017	Change (%)	As at 30.6.2016	YoY change (%)
Licensed corporations	2,549	2,484	2.6	2,255	13
Registered institutions	119	121	-1.7	119	0
Licensed individuals	40,536	40,267	0.7	39,518	2.6
Total	43,204	42,872	0.8	41,892	3.1

We held a forum in May on algorithmic trading to clarify some fundamental areas of concern and for the industry to share good practices, insights and challenges. The forum was attended by around 180 participants.

Following the April publication of our *Report on the fact-finding exercise on retail futures brokers*, we issued a circular in June to futures brokers setting out key areas of regulatory concern and expected standards of conduct and internal controls.

As part of our ongoing effort to promote compliance with anti-money laundering and counter-terrorist financing requirements, we issued eight circulars during the quarter. We also made three presentations to industry associations attended by around 400 participants in June.

Restriction notice on IDS Forex

On 12 June, we issued a restriction notice on IDS Forex HK Limited prohibiting the firm from carrying on all activities for which it is licensed following the conviction in Korea of its sole shareholder, Mr Kim Sunghun, for illegal fund-raising and fraud. We are concerned that IDS Forex's capital may be the proceeds of crime.

² Both the Commencement Notice of the Financial Institutions (Resolution) Ordinance and the Protected Arrangements Regulation were gazetted in May. They came into operation on 7 July.

Intermediaries

Licensing applications

	Quarter ended 30.6.2017	Quarter ended 31.3.2017	Change (%)	Quarter ended 30.6.2016	YoY change (%)
Applications to conduct new regulated activity	4,810	5,111	-5.9	4,981	-3.4
Applications for SFC licences [#]	1,698	1,902	-10.7	1,816	-6.5

[#] Figures do not include applications for provisional licences. During the quarter, we received 847 provisional licence applications compared with 923 in the same quarter last year.

Intermediary inspection

	Quarter ended 30.6.2017	Quarter ended 31.3.2017	Change (%)	Quarter ended 30.6.2016	YoY change (%)
Risk-based on-site inspections conducted	74	71	4.2	71	4.2

Investment products

Authorisations

As of 30 June, there were 2,793 SFC-authorized collective investment schemes (CIS) on offer to the public. During the quarter, we authorised 33 CIS, comprising 20 unit trusts and mutual funds, 12 mandatory provident fund (MPF) pooled investment funds and one investment-linked assurance scheme (ILAS). We also authorised 18 unlisted structured investment products for public offering.

Renminbi products

The total number of renminbi-denominated SFC-authorized unlisted funds and of exchange-traded funds (ETFs) investing onshore in the Mainland securities markets¹ was 64 and 26 respectively, as at 30 June.

Online distribution and advisory platforms

In view of the increasing use of online platforms by investors, we launched a three-month public consultation in May on proposed guidelines which aim to provide tailored guidance to the industry on the design and operation of online distribution and advisory platforms. The guidelines also clarify how the suitability requirement would operate in the online environment and contain specific guidance on the provision of automated or robo-advice on an online platform. The consultation closed on 4 August.

Mutual recognition of funds

France

On 10 July, we signed a Memorandum of Understanding with the Autorité des Marchés Financiers, our French counterpart, on mutual recognition of funds (MRF). The agreement allows eligible French and Hong Kong public funds to be distributed in the other market through a streamlined vetting process. It also establishes a framework for information exchange and regulatory cooperation. To provide the industry with further details, we issued a circular, frequently asked questions (FAQs) and an information checklist, and held an industry briefing session attended by over 80 industry participants in July.

Switzerland

On 20 June, the Swiss Financial Market Supervisory Authority (FINMA) authorised the first batch of two Hong Kong funds under the Switzerland-Hong Kong MRF scheme. FINMA further authorised two more Hong Kong funds on 18 July.

Mainland China

Under the Mainland-Hong Kong MRF, as of 30 June, we authorised a total of 49 Mainland funds (including two umbrella funds), and the China Securities Regulatory Commission approved eight Hong Kong funds.

Open-ended fund companies (OFC)

On 28 June, we launched a public consultation on the proposed Securities and Futures (Open-ended Fund Companies) Rules and the Code on Open-ended Fund Companies, setting out the detailed legal and regulatory requirements applicable to the new OFC structure². The OFC structure will enable investment funds to be established in corporate form in Hong Kong, in addition to the current unit trust form. The introduction of this new fund structure is part of our initiative to develop Hong Kong's asset management industry and enhance Hong Kong's position as a preferred fund domicile. The consultation ended on 28 August.

Revamped post-authorisation process

Our 30 June circular to fund management companies sets out the revamped process for handling applications for the approval of post-authorisation changes and authorisation of revised offering documents for SFC-authorized funds. We issued new FAQs and held two briefing sessions for fund industry participants to provide guidance to the industry.

¹ These unlisted funds and ETFs primarily invest in the Mainland securities markets through the Renminbi Qualified Foreign Institutional Investor quota, Stock Connect and the China Interbank Bond Market.

² As laid down in the Securities and Futures (Amendment) Ordinance 2016, gazetted on 10 June 2016.

Investment products

Authorised CIS^a

	As at 30.6.2017	As at 31.3.2017	Change (%)	As at 30.6.2016	YoY change (%)
Unit trusts and mutual funds	2,204	2,203	0	2,173	1.4
Investment-linked assurance schemes	301	300	0.3	300	0.3
Pooled retirement funds	34	34	0	34	0
MPF schemes	35 ^b	35	0	37	-5.4
MPF pooled investment funds	193 ^c	182	6	173	11.6
Others	26 ^d	26	0	26	0
Total	2,793	2,780	0.5	2,743	1.8

^a Excluding unlisted structured investment products.

^b Fifty-six authorised constituent funds under these MPF schemes were related to the default investment strategy (DIS).

^c Of which 20 were DIS-related.

^d Comprising 15 paper gold schemes and 11 real estate investment trusts.

Unlisted structured investment products

	Quarter ended 30.6.2017	Quarter ended 31.3.2017	Change (%)	Quarter ended 30.6.2016	YoY change (%)
Unlisted structured investment products ^a	18	17	5.9	7	157.1
Authorisations granted under section 105 of the SFO ^b	16	22	-27.3	14	14.3

^a On a "one product per key facts statement" basis, the number of unlisted structured investment products authorised during the period, most of which were equity-linked investments and deposits.

^b Offering documents and advertisements of unlisted structured investment products offered to the Hong Kong public.

Listings and takeovers

Listing policy

In July, we published the first issue of the *SFC Regulatory Bulletin: Listed Corporations*, providing guidance on the manner in which we perform some of our functions under the Securities and Futures (Stock Market Listing) Rules (SMLR) and the Securities and Futures Ordinance (SFO) in relation to listed corporations and other listing matters. We are taking steps under the SMLR and more generally under the SFO to intervene in serious cases at an early stage, in response to changing market conditions and risks, to protect the investing public.

We issued a statement in April setting out the factors we take into account when reviewing the proposed listing of infrastructure project companies in Hong Kong, including those from "Belt and Road" countries, covering potential country and related risks. We also issued a guidance note in May on directors' duties regarding valuations in corporate transactions together with a statement on the liability of valuers for disclosure of false or misleading information.

We are working with Hong Kong Exchanges and Clearing Limited (HKEX) on the conclusions to the joint consultation on proposed enhancements to The Stock Exchange of Hong Kong Limited's (SEHK) decision-making and governance structure for listing regulation. The conclusions will be published in due course.

IPO applications

Under the dual filing regime, we reviewed 86 new listing applications during the quarter, up 68.6% from 51 in the previous quarter and 21.1% from 71 in the same quarter last year. This was a new record high since the regime commenced in 2003.

GEM review and New Board proposal

Jointly, the SFC and SEHK conducted a holistic review of listing regulation including the Growth Enterprise Market (GEM). HKEX subsequently issued a consultation paper on a review of the GEM and changes to the GEM and Main Board Listing Rules on 16 June. The GEM review seeks to address structural issues affecting the alternative stock market and enhance the quality of GEM companies. The proposed

changes to the Listing Rules aim to ensure that there is a clear distinction between the Main Board and GEM, and to preserve the Main Board's position as a market for larger companies.

HKEX also issued a concept paper on the same day on a proposed New Board with two segments – New Board PREMIUM and New Board PRO.

Corporate regulation

We conduct a daily review of corporate announcements under the statutory corporate conduct and inside information disclosure provisions. During the quarter, we felt it appropriate to issue section 179¹ directions in 11 cases to gather additional information. The underlying concerns were varied and included whether a corporate action had been conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

We exercised our power under sections 6 and 8 of the SMLR on two occasions. On 19 May, we served a notice under 6(2) of the SMLR to Asia Energy Logistics Group Limited that the SFC objected to the listing of its placing shares. On 6 June, we directed a trading suspension of the shares of Lerado Financial Group Company Limited pursuant to section 8(1) of the SMLR due to concerns that its 26 October 2015 circular in relation to an open offer included materially false, incomplete or misleading information.

Electronic disclosure of interests notices

Since 3 July when the mandatory electronic filing provisions under Part XV of the SFO commenced, disclosure of interests notices must be submitted via HKEX's electronic filing system. We conducted a training session on the new system in June for more than 250 members of The Hong Kong Institute of Chartered Secretaries.

¹ 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.

Listings and takeovers

Takeovers Panel decision

The Takeovers Panel, in a written decision published on 10 May, ruled that a whitewash waiver should be made conditional on the outcome of the shareholder vote on a share buy-back offer announced by Television Broadcasts Limited (TVB) in January 2017, but that there would not be a separate vote on a whitewash waiver. The Takeovers Panel also agreed with the Takeovers Executive² that full disclosure should be made of the TVB shareholding and ownership structure

of Young Lion Holdings Limited, which together with its concert parties holds 29.9% of TVB's shares and could hold up to 41.2% of TVB's shares following the buy-back.

In May, TVB applied to the High Court of Hong Kong to commence judicial review of the panel's decision on the whitewash waiver.

Listing applications and takeovers activities

	Quarter ended 30.6.2017	Quarter ended 31.3.2017	Change (%)	Quarter ended 30.6.2016	YoY change (%)
Listing applications filed under the dual filing regime	86	51	68.6	71	21.1
Takeovers and share buy-back transactions	132	138	-4.3	113	16.8

² This refers to the Executive Director of the SFC's Corporate Finance Division or his delegate.

Market infrastructure

Bond Connect

We worked with the Hong Kong Monetary Authority (HKMA) and Hong Kong Exchanges and Clearing Limited (HKEX) to implement Bond Connect, launched on 3 July to provide offshore institutional investors with access to the China Interbank Bond Market via the China Foreign Exchange Trade System & National Interbank Funding Centre (CFETS). On 29 June, the SFC approved the automated trading services (ATS) application of Bond Connect Company Limited, a joint venture company established in Hong Kong between HKEX and CFETS to facilitate the operation of Bond Connect.

Closing Auction Session Phase 2

In June, the SFC approved HKEX's proposed rule amendments to introduce Closing Auction Session (CAS)¹ Phase 2, which covers constituent stocks of the Hang Seng Composite SmallCap Index and allows short selling orders. CAS Phase 2 was launched in July.

Enhanced position limit regime

Following a public consultation which concluded in March, the enhanced position limit regime for futures and options contracts became effective on 1 June after completion of the legislative amendments. The regime expands the scope of excess position limits which can be granted to qualified market participants.

Automated trading services

	As at 30.6.2017	As at 31.3.2017	Change (%)	As at 30.6.2016	YoY change (%)
ATS authorisations under Part III	50	49	2	39	28.2
Corporations providing ATS under Part V	24	24	0	27	-11.1

¹ CAS Phase 1, launched by HKEX to its cash market in July 2016, covered constituent stocks of the Hang Seng Composite LargeCap and MidCap Indices, H shares which have corresponding A shares listed on a Mainland exchange and all exchange-traded funds.

² Delta One Warrants are call warrants with a strike price set at zero or very close to zero. They are intended to enable investors to gain synthetic exposure to the underlying assets, in particular in closed or difficult-to-access markets.

³ 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 by Part III under the SFO. Intermediaries that provide dealing services with ATS as an added facility are licensed under Part V of the SFO.

Over-the-counter (OTC) derivatives

In response to requests from market participants, we launched a joint public consultation with HKMA in April on proposed adjustments to the scope of the term "OTC derivative product" under the OTC derivatives regulatory regime. The adjustments exclude Delta One Warrants² from the definition of the term and prescribe additional markets and clearing houses so that products traded and cleared through them will not be regarded as "OTC derivative products".

We approved a product proposal from OTC Clearing Hong Kong Limited (OTC Clear) to clear Hong Kong dollar basis swaps and non-deliverable interest rate swaps in five Asian currencies. The service was launched in May. For mandatory clearing purposes, in June we also designated OTC Clear as a central counterparty for Hong Kong dollar basis swaps.

Automated trading services

As of 30 June, the number of ATS³ authorisations under Part III of the Securities and Futures Ordinance (SFO) was 50, while 24 corporations, including 16 dark pool operators, were licensed under Part V of the SFO to provide ATS.

Enforcement

Market Misconduct Tribunal

- In an inquiry where the Market Misconduct Tribunal (MMT) imposed its heaviest financial sanction to date, the former chairman and chief executive officer of Greencool Technology Holdings Limited, Gu Chujun¹, was ordered to disgorge approximately \$481 million of profit from grossly overstating financial statements in a five-year period. In addition, the MMT made a cold shoulder order² against Gu effective for five years and disqualified Gu and four other former senior executives for three to five years.
- The MMT made a determination that in the publication of a circular on 12 September 2008, CITIC Limited and five of its former executive directors had not disclosed false or misleading information that was likely to maintain, increase, reduce or stabilise the price of CITIC shares and so had not engaged in market misconduct.
- The MMT ruled that Mayer Holdings Limited and nine of its former directors and senior executives failed to disclose inside information as soon as reasonably practicable and fined them a total of \$10.2 million. The MMT also imposed disqualification orders for periods ranging from 12 to 20 months against the senior executives and ordered Mayer to appoint an independent professional adviser to review its procedures for compliance with the corporate disclosure regime. Mayer and eight of the senior executives have filed appeals against the MMT's decision and orders.

Court proceedings

- An appeal by Moody's Investors Service Hong Kong Limited against the Securities and Futures Appeals Tribunal's decision to uphold our disciplinary action in relation to a special comment report³ was dismissed by the Court of Appeal on the basis that the preparation and publication of the report was part of the carrying on of Moody's credit ratings business.

- The Court of Appeal dismissed our appeal, and our application for leave to appeal to the Court of Final Appeal, against the MMT's findings that Yiu Hoi Ying and Marian Wong Nam, two former executives of Asia Telemedia Limited⁴, had not engaged in insider dealing. We instituted parallel proceedings in the Court of First Instance under section 213 of the Securities and Futures Ordinance against the company's former chairman, Lu Ruifeng, for alleged insider dealing in its shares.
- We commenced criminal proceedings in the Eastern Magistrates' Court against Lam Yik Tung, Chan Lit Chun and Anson Mui Ka Leung for alleged insider dealing.
- The Court of First Instance dismissed the appeal of Hong Kong Game Theory Association Limited and Sze Ching Lok, its sole director, against their convictions for carrying on a business in advising on futures contracts without a licence.
- In two separate cases of illegal short selling, former responsible officer of China Rise Securities Asset Management Company Limited Shiu Kin Keung Sammy and retail investors Cheng Chi Fei and Wong Kin were convicted and fined by the Eastern Magistrates' Court.
- The Eastern Magistrates' Court convicted and fined QMIS Securities Limited and Huang Kuang Cheng, its former responsible officer, for making false or misleading representations when submitting licensing information to the SFC.

Disciplinary actions

We disciplined three licensed corporations and seven representatives, resulting in total fines⁵ of \$11 million.

Anti-money laundering

- Guoyuan Securities Brokerage (Hong Kong) Limited was reprimanded and fined \$4.5 million for failing to conduct proper enquiries to mitigate the risks of money laundering and terrorist financing when processing third-party fund transfers for clients.

¹ In June 2014, we commenced proceedings in the Court of First Instance under section 213 of the Securities and Futures Ordinance (SFO) to seek compensation from Gu for losses caused to over 1,300 Greencool minority shareholders.

² A sanction that prevents a person from accessing, directly or indirectly, the Hong Kong securities market for a stated period.

³ In the report, entitled "Red Flags for Emerging-Market Companies: A Focus on China" published on 11 July 2011, Moody's assessed 49 Mainland companies against 20 warning signs it called "red flags".

⁴ Now known as Yunfeng Financial Group Limited.

⁵ Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

Enforcement

Its former responsible officer, Hui Lam Chiu, was suspended for six months for failing to ensure the firm took all reasonable anti-money laundering measures.

- iSTAR International Futures Co. Limited⁶ was also reprimanded and fined \$3 million for third-party fund transfer deficiencies, while Wu Biwei, its former responsible officer and managing director, was suspended for six months.

Unauthorised share sale

- Tsap Wai Ping was prohibited from re-entering the industry for two years for soliciting the sale of shares in Yinfu Gold Corporation to the public without the SFC's authorisation.

Misappropriation

- Promising Securities Company Limited was reprimanded and fined \$3.5 million for misappropriation of client assets by unlicensed staff.

Theft and Code of Conduct breaches

- In separate cases involving former bank employees, Daniel Chen Chi Lik was banned from re-entering the industry for life following his conviction for theft and Li Bo was banned for eight months for breaching his employer's staff trading policy and the SFC Code of Conduct⁷.
- Fok Chi Kin was prohibited from re-entering the industry for eight months for breaching his former employer's internal policies, the Personal Data (Privacy) Ordinance and the SFC Code of Conduct⁷ by sending proprietary information and client data to his personal email account.

Market surveillance

We made 2,617 requests for trading and account records from intermediaries in the quarter. In addition, we posted seven high shareholding concentration announcements on our website to remind investors to exercise caution when trading shares in companies where a small number of shareholders hold a high concentration of shares.

⁶ Now known as Rifa Futures Limited.

⁷ Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

Enforcement

Enforcement activities

	Quarter ended 30.6.2017	Quarter ended 31.3.2017	Change (%)	Quarter ended 30.6.2016	YoY change (%)
S179 ^a inquiries commenced	9	9	0	4	125
S181 ^b inquiries commenced (number of letters sent)	80 (2,617)	94 (2,472)	5.9	81 (2,236)	17
S182 ^c directions issued	90	95	-5.3	158	-43
Investigations started	89	97	-8.2	160	-44.4
Investigations completed	55	134	-59	165	-66.7
Investigations completed within seven months (%)	18 (33%)	49 (37%)	-63.3	75 (45%)	-76
Individuals/corporations charged in criminal proceedings	7	6	16.7	0	N/A
Criminal charges laid	14	31	-54.8	0	N/A
Notices of Proposed Disciplinary Action ^d issued	7	7	0	16	-56.3
Notices of Decision ^e issued	9	17	-47.1	10	-10
Individuals/corporations subject to ongoing civil proceedings	126	126	0	100	26
Compliance advice letters issued	90	139	-35.3	87	3.4
Cases with search warrants executed	8	10	-20	8	0

^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 the identity information of 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.

Global Regulatory Engagement

IOSCO

We remain actively involved in international policy making, chairing the Board of the International Organization of Securities Commissions (IOSCO) and participating in all eight of its policy committees.

Since Mr Ashley Alder, our Chief Executive Officer, was appointed Chair of the IOSCO Board, we worked closely with the IOSCO Secretariat to enhance the relevance of IOSCO's work to the Board and the wider membership, clarify the intersection of the policy work of IOSCO and the Financial Stability Board (FSB) and promote interaction between members from emerging and developed economies.

Mr Alder chaired the IOSCO Task Force on Market Conduct, which on 13 June issued its final report on the tools and approaches that IOSCO members use to discourage, identify, prevent and sanction misconduct by individuals in wholesale markets.

During the IOSCO Annual Conference in May, Mr Alder chaired an IOSCO Board meeting which discussed vulnerabilities in asset management, European Union (EU) data privacy regulation, central counterparty risks and the effects of derivatives reforms and cyber resilience. In multilateral meetings, we discussed EU data privacy laws, different share classes, and other issues relevant to the Asia Pacific region, as well as the implementation of the IOSCO Multilateral Memorandum of Understanding.

We will host the second EU-Asia Forum in Hong Kong on 1 December. Regulators from the EU and the Asia-Pacific region will discuss cross-border regulatory issues and further collaboration, and address issues arising out of EU regulations which have an impact on Hong Kong and the region. The inaugural EU-Asia Forum was held in October 2016.

Financial Stability Board

Mr Alder was invited to be a member of the FSB Nominations Committee which will identify candidates for the role of the FSB Secretary General for the FSB Plenary's consideration.

In May, Mr. Keith Lui, Executive Director of Supervision of Markets, attended a meeting of the FSB Standing Committee of Standards Implementation which considered the effects of reforms and discussed its

future thematic peer reviews. Mr. Lui also participated in the FSB Regional Consultative Group for Asia meeting held in June, where vulnerabilities and financial stability issues affecting Asia were discussed.

We coordinated with the Hong Kong Monetary Authority, the Insurance Authority and the Government of the Hong Kong Special Administrative Region (HKSAR) to respond to the FSB's annual monitoring exercise on shadow banking and to prepare for its peer review of Hong Kong.

Mainland China

We work closely with Mainland authorities to support Hong Kong's long-term strategic development amid the opening of Mainland financial markets. We regularly interact with the China Securities Regulatory Commission (CSRC) in high-level discussions on regulatory collaboration covering Stock Connect and other cross-border cooperative schemes.

Under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), two new agreements, the Investment Agreement and the Agreement on Economic and Technical Cooperation, were signed between the HKSAR Government and the Ministry of Commerce on 28 June and will be implemented from 1 January 2018.

We participated in discussions with Mainland authorities to formulate the new CEPA measures relating to the securities sector, including:

- enhancing the mechanism for cross-border renminbi fund flows and closer financial cooperation,
- studying the further expansion of the scope of eligible securities under Stock Connect,
- reviewing and assessing the progress of the Mainland-Hong Kong Mutual Recognition of Funds scheme, and
- supporting the development of offshore risk management business for the Mainland financial markets.

Global Regulatory Engagement

Also during this period, CSRC granted approval for two Hong Kong financial institutions to set up multi-licensed joint venture securities companies in the Mainland, Bond Connect was launched, and the Renminbi Qualified Foreign Institutional Investor investment quota for Hong Kong was increased from RMB270 billion to RMB500 billion.

We organised seminars and training programmes for senior executives from Mainland authorities or organisations to enhance their understanding of our regulatory work. In May, we attended the seventh Working Meeting of Hong Kong-Shanghai Financial Co-operation in Shanghai.

Other regulatory engagement

We maintain close contact with local and overseas regulatory counterparts in order to keep abreast of developments in emerging regulatory and financial technologies (Fintech). During the quarter, we signed

Fintech cooperation agreements with the UK Financial Conduct Authority and the Australian Securities & Investments Commission.

We also held meetings during the quarter with other overseas regulators, institutions and government representatives, including the US Securities and Exchange Commission, Japan Financial Services Authority, Monetary Authority of Singapore and Saudi Capital Market Authority.

As part of our engagement with overseas authorities and institutions, we responded to 40 requests for technical assistance and bilateral regulatory cooperation.

Stakeholder communication

We engage with a wide range of stakeholders in a proactive and timely manner to help them understand our work and keep them informed about regulatory updates.

We launched three consultations during the quarter. In May, we began a consultation on new guidelines on online distribution and advisory platforms as well as a consultation on proposals to reduce and mitigate hacking risks associated with internet trading. In June, we launched a consultation on the detailed legal and regulatory requirements applicable to the new open-ended fund company (OFC) structure.

In addition, we launched a joint public consultation with the Hong Kong Monetary Authority in April on the prescription of additional markets and clearing houses as well as of Delta One Warrants for the purpose of the over-the-counter derivatives regulatory regime.

During the quarter, our senior executives spoke at 34 local and international conferences to share our regulatory approach in various areas. Separately, we supported two industry events and met with around 20 industry associations.

We also held two briefing sessions for the industry on the proposed subsidiary legislation and regulatory code for the new OFC structure and conducted a media briefing which covered baseline cybersecurity requirements, account opening procedures, inspections of intermediaries and the Manager-In-Charge regime.

To supplement our existing e-subscription system, we added a Really Simple Syndication (RSS) subscription service to our website to facilitate public access to the latest updates from the SFC.

We produced a wide range of publications during the quarter, including:

- a comprehensive *Licensing Handbook*, which consolidates material previously issued in the *Licensing Information Booklet*, frequently asked questions and circulars;



- the May issue of the *Enforcement Reporter*, which highlighted the liabilities of directors and senior executives of listed companies and discussed senior management accountability and valuations in corporate transactions;
- our *Annual Report 2016-17*, released in June, summarised the SFC's work during the year and our strategic priorities;
- the June issue of the *Takeovers Bulletin* discussed the Takeovers Panel's decision related to Television Broadcasts Limited and revisions to the Codes on Takeovers and Mergers and Share Buy-backs; and
- a *Report on the fact-finding exercise on retail futures brokers* which aimed to understand the business profiles and risk management controls and practices of 10 local futures brokers.

We issued 21 circulars to inform industry participants about a wide range of matters, including directors' duties on valuations in corporate transactions, competence requirements for those seeking to be licensed to carry on asset management services and anti-money laundering.

Stakeholder communication

Publications and other communications

	Quarter ended 30.6.2017	Quarter ended 31.3.2017	Quarter ended 30.6.2016
Press releases	45	36	28
Consultation papers	4	1	1
Consultation conclusions	2	1	0
Industry-related publications	4	4	1
Codes and guidelines	4	2	1
Circulars to industry	21	19	11
Corporate website average daily page views ¹	68,825	67,584	57,265
General enquiries	1,722	1,861	1,728

¹ The average number of web pages browsed per day during the reporting period.